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EDITORIAL

As We See It

"What's the matter with us anyhow?" This question posed by Adlai Stevenson in a recent address at Columbia University struck a responsive chord, we feel certain, in many a mind throughout this country of ours. Few there are, probably, who doubt that there is something the matter with us. So widespread is the belief that there is something awry, so diverse are current diagnoses, and so fanatically do many of the diagnosticians hold to their own conclusions, that the clamor of the resulting "confused alarums and strife" is causing much uneasiness in high places.

It was early last week, also at Columbia University, that the President of the United States issued this adjuration to the American people:

"Let us not lose faith in our own institutions, and in the essential soundness of the American citizenry lest we—divided among ourselves—thus serve the interests and advance the purposes of those seeking to destroy us."

Loss of faith is, of course, a thing to be avoided at all times, but exhortation is not likely to provide a means of achieving avoidance, and more than determination on the part of the rank and file not to lose faith is required. Far better is it to do our best to arrive at a sound diagnosis and to seek a rational remedy.

Mr. Stevenson essayed some such task at Columbia. Some of his observations are well worth consideration, but frankness constrains us to add that it seems to us that he missed the main point. In answer to his own question as to what is the matter with us he proceeds:

"The usual diagnosis is ignorance and fear. Ignorance leads many to confuse ends with

Continued on page 46

Investor Owned Utilities Can Supply Nation's Power Needs

By WALTER H. SAMMIS*
Retiring President, Edison Electric Institute
President, Ohio Edison Company

Prominent utility executive reviews early struggles and progress of the electric light and power industry and says achievements have been gratifying. Comments on atomic power developments and condemns inroads of Federal power projects in field of private enterprise. Accuses government of selling power below cost, and recites TVA story. Says public investor-owned power shortage is a myth, and extols record of private power companies in meeting expanding power demands. Urges continued good and adequate service by power companies

This year the electric industry—utilities, manufacturers and others—is celebrating Light's Diamond Jubilee, the 75th anniversary of Edison's invention of the first practical incandescent lamp. This invention started a chain reaction in the harnessing of electric energy that has had a profound impact on the social and economic life of the world. Others on this program will pay direct tribute to Thomas Alva Edison. I shall endeavor to point out a few significant mileposts in the industry's progress.

Walter H. Sammis

As we assemble here in Atlantic City to discuss problems and matters relating to our business we can look back upon 75 years of glorious achievement in service to mankind.

In this comparatively short period, electricity has been brought to about 99% of all occupied establishments in the United States. It is available to 98% of all occupied farms. Truly, it is the servant of the American people. It is low in price—the average for all classes of electric service in 1953 being 1.77¢ per kilowatt-hour versus

Continued on page 42

*An address by Mr. Sammis before the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1954.

A New Look at Regulation Of Electric Power Companies

By JEROME K. KUYKENDALL*
Chairman, Federal Power Commission

Chairman Kuykendall reviews history of public regulation of utilities and points out while aims of utility management are to secure adequate revenues, the responsibility of regulating commissions is to see that rates are just and reasonable. Says rate standards are essential, and indicates the "investment base" predominates in determination of just and reasonable rates. Reveals Federal Power Commission does not have a set "fair rate of return," but considers relevant facts in individual cases. Gives data regarding EPC regulation of electric utility security issues.

By nature, the electric utility industry is a public calling. It needs special governmental privileges, grants, and immunities, and requires regulation by governmental authority in the protection of the whole public interest. I presume that, by law, electricity is for sale here in Atlantic City by one, and only one, business institution. That would be an intolerable situation for most businesses—the butcher, the baker, the candle-stick maker—but it is altogether sound for the electric utility business, provided, of course, that such business is not given the complete freedom of decision so necessary to the proper functioning of our competitive system, but instead, is subject to adequate regulation by the people through their constituted governments. The Federal and State governments, you well know, have provided the means of doing this regulatory job. With all the technological advancements in the electric utility field, however, we have not reached the stage where all we have to do is push a

J. K. Kuykendall

Continued on page 27

*An address by Commissioner Kuykendall before the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 3, 1954.

PICTURES IN THIS ISSUE—Candid shots taken at Annual Field Day of Bond Club of New York appear on pages 29-32 inclusive. On pages 33-36 inclusive are pics taken at Joint Spring Outing of San Francisco Security Traders Association and Security Traders Association of Los Angeles.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Farmer Bros. Company — Stuart M. Beringer, P. W. Brooks & Co., Inc., N. Y. City. (Page 2)

Standard Fruit & Steamship Company—Laurence Lyons, Allen & Co., New York City. (Page 2)

STUART M. BERINGER
P. W. Brooks & Co., Inc., New York City

Farmer Bros. Co.

Founded in 1912, Farmer Bros. Co. is today the largest roaster and distributor of coffee to hotels, restaurants and institutions on the West Coast and has operated at a profit in every year since founding. Perhaps the most amazing single statistic that could be mentioned to point up the dynamic nature of its growth is the fact that **1953 marked the 31st consecutive year in which sales reached a new high.** What this means to the investor anxious for growth but concerned with the basic soundness of an enterprise is that Farmer Bros. during that period not only successfully weathered this country's greatest depression in the early 30's as well as several subsequent recessions and World War II, but was actually able each year to raise its business to a higher level.

Stuart M. Beringer

To be more specific as to the magnitude of this expansion, consider the following results of just the past decade: (a) dollar sales increased 8.2 times from $2,239,000 to $18,305,000; (b) pounds of coffee sold increased 8.8 times from 1,695,000 lbs. to 14,923,000 lbs.; (c) working capital increased 6.7 times from $385,000 to $2,578,000; (d) net worth 6.1 times from $770,000 to $4,663,000; and (e) number of customers from 9,500 to about 19,500. This pattern of growth continues with first quarter 1954 sales up about 10% over the same period in 1953.

The company's principal business consists of roasting and processing imported green coffees, and selling the roasted product under the brand name "Farmer Brothers" to hotels, restaurants and institutional users such as schools, hospitals, plant cafeterias, public institutions, etc. Such sales accounted for approximately 82% of the company's total dollar sales for 1953. The company sells its coffee in California, Texas, Arizona, Utah, Nevada, New Mexico, Oregon and Washington to an estimated 19,500 customers, of which approximately 80% are in California. The company also sells other food products such as teas, extracts, spices, flavor bases, cocoa, gelatine and puddings as well as sundry restaurant equipment such as chinaware, glassware, silverware, napkins, waiters' checks, creamer caps and sundry urn and silex accessories. Food products other than coffee accounted for about 7.7% of 1953 sales and efforts are being made to increase the volume of such business substantially.

As part of the company's service and at no additional cost to the customer, the company loans, services and maintains the coffee urns, stoves and certain related accessories used by its customers. Approximately 115 sales-service men operate from 36 distributional outlets, providing customers with fast and efficient delivery service, individual attention to brewing methods, and without charge, on-the-spot maintenance and repairs of equipment within a few hours after receiving a service call. In return, customers agree to use only Farmer Brothers coffee in the equipment which the company has installed for their use. This equipment is designed and manufactured by the company. As of Dec. 31, 1953, the gross book value of such equipment on loan totaled $1,226,596 on the books of the company, in addition to which approximately $400,000 of fully depreciated urns and stoves were still in use.

In the second half of 1950 the company, as a subcontractor, commenced the manufacture of exhaust tail-pipe assemblies for jet engines, pilot ejector seats, missile components, wing beam assemblies and other defense items. Sales of defense items totaled $414,419 in 1951, $956,527 in 1952 and $1,973,058 in 1953. Unfilled orders at the year-end totaled about $1,000,000 with substantial additional volume believed to be available.

The company completed early in 1952 the construction at a cost of about $900,000 of a modern, one-story, highly mechanized coffee processing plant (containing about 100,000 square feet of floor space) on a 20-acre plot of land in Torrance, Calif. Management believes this plant to be one of the finest and most efficient coffee processing units in the United States. Recently the company completed the installation of its second continuous Thermalo roaster, bringing total capacity of its two roasters to 144,000 pounds of roasted coffee per 8-hour day. Green coffee is conveyed in a continuous stream through the roasters, which are fully automatic and electronically controlled, completing the roasting cycle in seven minutes. This type of equipment markedly improves the quality of the finished product.

Turning now to the earnings picture, on sales of $18,304,717, profits increased 80% from $416,764 in 1952 to $754,015 (a new high) in 1953. Based on the 1,125,640 common shares now outstanding (less current preferred dividend requirements of $14,697), this is equivalent to 65.7 cents per common share, compared with 35.7 cents for 1952 and 37.4 cents for the postwar (1946-53) period. Earnings for the first four months of 1954 are believed to be ahead of the results for the comparable 1953 period.

Coincident with the initial public offering in September, 1952 a quarterly dividend rate of four cents per share was adopted for the common stock. In July, 1953 the quarterly rate was increased 50% to six cents per share and in December, 1953 an extra dividend of 15% in common stock was also paid. On Feb. 2, 1954 the quarterly rate on the increased number of shares was again raised, this time to eight cents per common share. Based on the over-the-counter "inside" offering price of about 4½, the yield is a generous 7%.

Farmer Bros.' 42-year record of consistently profitable operations and virtually uninterrupted growth is one in which management can take justifiable pride. Not content with achievements to date, management is actively investigating opportunities for expanding its operations into new areas (while continuing to exert every effort to secure a yet larger share of the available business in its present territory), and in April, 1954 acquired the Wason Coffee Co. of Seattle, thereby extending Farmer Bros.' operations the entire length of the West Coast. Selling on a reasonable basis in relation to current earnings and with a conservative dividend providing a fine yield, this low-priced common stock seems to be one of the very few genuine growth stocks available today which can be purchased without having to pay a substantial premium for its obvious growth potentialities.

LAURENCE LYONS
Allen & Co., New York City

Standard Fruit & Steamship Company

I like the stock of the Standard Fruit & Steamship Co. because it represents an equity in sizeable and growing agricultural business that accounts for about 20% of all the bananas imported and sold in the United States. The company, whose activities are substantially integrated, imports bananas not only from its own plantations in Honduras, but also those purchased from other native growers in Central and South America. It has additional interests in a brewery and soft drinks company in Central America, as well as a controlling interest in Fabrica de Manteca, in Honduras, manufacturer of soaps, lard, and other by-products.

Laurence Lyons

Net income after provision for taxes in 1953 amounted to $7.53 per share of common stock. After the preferred dividend of $3 per share and consideration of the preferred participation right, earnings for the past ten years have averaged over $4.45 per share. The increase in earnings in 1953 was due, among other things, to higher prices, better quality, and reduced costs.

Organized in the early 1900's, the company enjoyed spectacular growth during the late teens and twenties. Until recently, however, continuation of outmoded and ineffectual management policies impaired natural growth. This past year has seen new management activate a constructive long-term program aimed at cost and quality controls, sales expansion and more proper allocation of corporate responsibility. While some improvement has already been manifest in 1953, the full effect of these changes can only be felt over several years. Management is cognizant that the present capital structure is wanting in some respects and feels that in due course steps will be taken to improve this situation.

Standard Fruit operates 14 ships between the United States and Central and South America. To serve its extensive banana plantations, the company owns over 300 miles of railroads with almost 1,000 freight cars and 30 locomotives. The aforementioned outside interests such as the soap and lard manufacturing company, as well as a modern brewery which was constructed in 1952, provide significant additional income.

The current financial condition

Continued on page 49

A Quarter-Century Forecast of Electric Power in U. S.

By WALKER L. CISLER*

President, the Detroit Edison Company
Chairman, Electric Power Survey Committee,
Edison Electric Institute

After reviewing progress of electric power industry since its beginning in 1882, Mr. Cisler describes the 25-year long range forecast of the Power Survey Committee of the Edison Electric Institute. Estimate for 1975 a peak load between 262 million and 367 million kilowatts. Discusses engineering considerations involved as well as organizations and business matters in the electric industry, and predicts atomic power reactors may come into operation within five years. Holds ever-increasing requirements for power is a challenge to electric power organizations.

As we observe Electric Light's Diamond Jubilee, and reflect upon the far-reaching achievements of the electric light and power industry during the past 75 years, it is fitting that we should continue looking ahead—to envision the probable power requirements of the future and to measure the task that lies before the industry in fulfilling its responsibility.

Walker L. Cisler

Seventy-two years ago, in September of 1882, Thomas Alva Edison placed in operation the first thermal-electric central station—the Pearl Street Station in New York City—which had a capacity of 900 kilowatts and reportedly served 59 customers its first day. That plant operated with a load factor of less than 10% and consumed approximately 10 pounds of coal for each kilowatthour of electricity generated.

Later that same September, the first hydro-electric station — the Vulcan Street Station—made its debut at Appleton, Wis. These were the beginnings of electric power generation in the United States.

Today we have, spread across our country, interconnected power systems that serve more than 50 million customers. These interconnected systems include more than 150,000 miles of transmission lines operating from 66,000 to 330,000 volts. The lower voltage transmission and distribution circuits are many times that length.

Before the end of this year, 1954, these systems will receive power from central generating stations having a total capability of well over 100 million kilowatts, which is more than 40% of all the electric power in the world. The newest of our thermal power plants use less than three-quarters of a pound of coal per kilowatt-hour, a thirteen-fold improvement over the first central thermal plants.

This growth and development of electric power has been of fascinating proportions—far greater than was contemplated in the early days, when salesmen were employed to go from door to door to convince people that electric lights were superior to gas lights, and that electric motors were more effective than steam engines. Our concern in recent years has been in keeping abreast of the rapidly increasing need for power by our industries, our commercial establishments, our homes and our farms.

In 1947, the Edison Electric Institute organized its Electric Power Survey Committee and instructed it to review periodically the power situation in this country, and to advise the Institute of its findings. The report of the Fifteenth Semi-Annual Electric Power Survey, conducted by the Committee, has just been published. Most of you probably are familiar with these reports. They have been most informative and useful, especially during the rapid expansion and troublesome period of the Korean struggle. They have established bench marks for reference, and have been used as a guide by other friendly nations in determining their own respective situations.

Twenty-Five Year Peak Load Forecast

The regular power surveys conducted by the Committee have covered only the four years immediately ahead. Thus, the Fifteenth Semi-Annual Power Survey made in early April gives considerable detail regarding actual statistics for the past few years and presents the current forecasts for the years 1954 through 1957. This has been adequate for the purpose because it is possible to design and construct generating stations and other facilities within a four-year period. It is true, however, that much long-range planning had to be done to make these short-range accomplishments possible.

With the intention of bringing the long-range aspects of the power situation into focus, and to provide the basic information for this "Look Ahead," the Power Survey Committtee has recently completed a forecast of the peak load power requirements to 1975. The methods and sources of information used were similar to those employed in the regular

Continued on page 38

*An address by Mr. Cisler at the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, New Jersey, June 2, 1954.

INDEX

Articles and News

Articles on Electric Utility Industry

Regular Features

*No article this week.

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Government's Role in Providing Economic Security

By RAY D. MURPHY*

President, The Equitable Life Assurance Society of U. S.

Prominent life insurance executive, warning against destruction of individual incentives through excessive liberalization of social security benefits, traces American developments along these lines, and points out their dangers as well as their advantages. Says American people have not yet come to fully realize "that more can be given only by taking more" and nation does not get something for nothing in social security. Discusses proposals in Social Security Bill now pending in Senate, and holds dangers of excessive security seeking can be avoided if role of government is minimized and more reliance placed on voluntary insurance.

My experience, over many years, has been in helping to furnish Americans with means of achieving a degree of personal security on a voluntary basis and on a basis which involves savings applied in advance to provide future benefits. However, like many life insurance men, I have devoted much thought to the influnece on our economy and on our people of government welfare measures.

R. D. Murphy

Life insurance men, I am sure, have every sympathy with the objective of protecting our citizens from want. In fact, they have devoted their lives to that end. In the United States there is maintained through private efforts and private instrumentalities an unprecedented amount of security protection. That protection includes life insurance, pension plans, individual annuities, insurance to replace income lost because of disablement and to offset hospital and medical expenses. Because of their knowledge and experience in dealing with security protection, insurance men take a vital interest in security problems and in the specific means used to achieve protection from want or hardship; and they are perhaps peculiarly alive to the dangers that may lurk in particular proposals.

The whole concept of governmental welfare provisions can embrace a wide range of subjects, and obviously I cannot hope to cover them all tonight. Consequently, I plan to use the Federal Old-Age and Survivors system, so-called "OASI," as a focal point for my remarks. It will serve as an illustration of more general problems. Also, OASI is, I believe, the most important single issue in the welfare field, when account is taken of its far-reaching implications for the future.

It seems to me important to encourage wide discussion of the old-age benefits under our social security law, because it is evident that the average American, although vitally affected, knows too little about the real working and influence of the plan. Worse still, what he thinks he knows often includes some serious misconceptions. It seems quite certain that he thinks of the social security plan as a low-cost program and has little idea of what it is apparently going to cost in the future directly and indirectly. I shall return to the subject of misunderstanding at a later point.

The Search for Security and Opportunity

But first let me emphasize that the means adopted to obtain security is something which cannot be considered apart from its influence upon human nature and its influence upon our entire economic structure. Mankind has always sought some form of security to a greater or a lesser degree. It is inevitable that mankind always will. The desire for security is basically good. It can breed foresight and the desire to save and to become a self-reliant citizen. We know, on the other hand, that most of mankind has been deeply influenced by the incentive of opportunity to improve his lot, even if he must take some risks to do so. The pursuit of opportunity, the taking of risks to pursue an objective, and the incentives to such action have created most of our heroes from ancient times down to the present. They have stimulated imagination, creativeness and courage. They have generated some of the greatest advances in civilization and in the standard of living.

It is not my purpose to criticize either motive—the seeking of security, or the seeking of opportunity—for each has its place and its value should be recognized. While each of these two motives can lead to good results, unless a proper balance is maintained between them an excess of one or the other can produce evils. The search for opportunity can turn into license to the detriment of our fellow citizens, and on the other hand an excessive search for security can turn our minds into defeatism and lack of incentive to expansion. Probably in most of us these two attitudes are mingled in varying proportions with no sharp dividing line; but how they are balanced, or which one has the ascendancy, can influence us mightily. The maintenance of a proper balance will influence our opinions individually and collectively as a nation, with a resulting effect upon our entire economy.

Some have expressed the view, and it seems a reasonable interpretation, that the predominant influence during the 19th Century in the United States came from the seeking of opportunity rather than the seeking of security. Frontiers were being pushed back and new land settled. Millions of immigrants surged past the Statue of Liberty to reach the land of freedom and opportunity. Resources were being harnessed, new industries being started, new factories being built. Liberty, freedom, expansion and individualism were in the air.

During the first half of the 20th Century, the balance has been changing despite the fact that the country has continued to expand in a great many directions. The seeking of security has come to the forefront and the emphasis on opportunity has tended somewhat to diminish. Our people have been increasingly gathered into urban centers and greater numbers have been employed in industrial enterprises. Job security has become increasingly important. With the drift away from the land, and the greater dispersion of families, means of support in old age has become a greater problem. The problem has grown larger as the number of elderly people in the population has increased. In many directions, including the great growth of security protection furnished by private insurance organizations, the search for personal security is in evidence.

At such a time it is well to stop and take stock. We know that as a result of the last century, when opportunity was the dominant theme, measures had to be taken to curb the unbridled pursuit of opportunity. We have our antitrust laws, conservation laws and our prohibitions against exploiting child labor and selling adulterated or unsanitary foods and drugs. The accomplishments of the period were very great indeed, but various forms of what may be called policing laws were adopted to protect the people and the natural resources of the country from an excess of opportunism.

And now we should consider carefully the dangers which may beset us if we place too great emphasis on security-seeking through the instrumentalities of government. The wrongs and failures of excessive preoccupation with the search for security can be traced from the bread-and-circuses of Rome, through European history, to the mental attitude which relied on the ill-starred Maginot Line.

The search for personal security through benefits provided by government has important lessons for all of us. In ancient Rome, and many times since, modest governmental measures were first adopted for the relief of poverty and social misery, primarily for the expedient purpose of curing unrest and increasing political stability. However, as so often happens when political expediency is the keynote, one step led to another, one liberalization to a second and that one to a third, until there was no stopping place, and what started as modest relief of poverty turned into a method of substantial redistribution of wealth. The consequences have invariably been tragic. Even great Rome fell.

Why has this tale been repeated again and again? One reason may be that a beneficence once enjoyed at the expense of others in whole or part comes to be looked upon as a right; and then demands for increased support from the same source are stimulated by the weaknesses of our human nature. On the other side, those who are providing the increasing benefits—receiving progressively less and less of the fruits of their labor and initiative—lose their incentives to create and produce. When that happens the dynamic character of an economy is lost.

American Developments

I have great confidence that the American people would agree in principle on the desirability of a sound social order and a soundly functioning economy. Any civilization or social order is the outgrowth of certain basic premises which are accepted by the people. We in the United States are fortunate that our forefathers, in establishing the Constitution, had been deeply impressed by the history of persecution and of interference with what they considered personal rights. They were intent upon preserving religious and civil liberty for the individual. Also, they knew that there can be no true human rights unless the individual has the right to own property as well as the legal power to make and enforce contracts. Therefore, they provided safeguards not only for minority rights but also for property and contract rights. The growth of our country and the expansion of its productive powers have been largely founded upon them.

The adoption of such principles

Continued on page 48

*An address by Mr. Murphy at the Dinner Session of the 38th Annual Meeting of the National Industrial Conference Board, New York City, May 20, 1954.

Menace of Preference In Sale of Federal Power

By GEORGE M. GADSBY*

Chairman of the Board and President, Utah Power and Light Company

Condemning preference clauses in Federal power projects as a "Santa Claus to the favored few," but paid for by nation's taxpayers, Mr. Gadsby points out seriousness of the situation by indicating Federal Government is now operating and marketing power from 65 hydro and 11 thermal generating plants, tax built and tax free, and is also adding to these half as much again. Reviews preferences given to municipalities in Congressional acts, and calls these precedents a trend toward socialism as well as a menace to private power concerns and to the nation as a whole.

A few basic facts are necessary in order to view in proper perspective the development of the Preference Clause and the discriminatory practices conducted in its name. To begin with, electric service, as perhaps nothing else, is entirely local in so far as the consumer is concerned. No matter where the power may be generated or how far it may be transmitted, its delivery and use is at one specific location for each customer. These customers are spread all over the United States, and in their individual capacities are taxpaying citizens standing equal before the law and entitled to share equitably in all benefits provided by the Federal Government. True, the Welfare Clause in the Constitution has disintegrated from "general welfare" to specific gifts and grants in unequal proportions to various segments of the people. But, the fundamental conception is still there.

George M. Gadsby

A second basic fact, if discrimination be present at any point in the electricity supply system, the discriminee is the ultimate consumer.

A third generalization, when the consumers, 80% of whom are now cut off from participating equitably in the purchase of Federal power sold at low prices, wake up to the injustice being done them, the fight of the investor-owned companies on their behalf will be won.

In the days when free enterprise was in full swing, rates over the country were not uniform, but the difference was due to varying production costs, taxes and character of loads.

Now to an increasing degree, differences in rates—i.e., the cost to the user—are due to tax exemptions, government subsidies and favoritism.

No further proof is needed of the seriousness of situation than to note that the Federal Government is now operating and marketing power from 65 hydro and 11 thermal generating plants, tax built but tax free, and is now adding 32 hydro and five steam stations all of large capacity. Many of the hydro and all the thermal stations are "incidental" to no constitutional purpose—and should not be so to the non-favored citizens who are required by taxation to give up their hard-earned money to pay for them.

No investor-owned company will be hurt or placed in an unfavorable comparative position if every power producer and distributor will stand on his own feet at the same tax level. Let TVA do its own financing in the open money market, pay its fair taxes and sell its output on a free competitive basis. In other words, from here on out give the Federal taxpayer a break.

As we well know, discrimination begins in the construction stages, and to quote Dr. Goldsworth Dickinson:

"Every kind of discrimination is a protection of the incompetent against the competent, with the result that the motive to become competent is taken away."

And again, perhaps idealistically:

"All modern societies aim to some extent at least, at equality, that this tendence, so far as it is conscious, and avowed, is not to separate off a privileged class of citizens, set free by the labor of others to live the perfect life, but rather to distribute impartially to all the burdens and advantages of the State, so that every one shall at once be a laborer for himself and a citizen of the State."

Now let's see how this has a bearing on the preference clause. Why do the present beneficiaries hang on for dear life and yell "unfair," "power trust," "give-away," etc., etc., whenever some one has the temerity to suggest that the benefits of taxpayers' investments (involuntary though they are) be distributed among all taxpayers?

The answer is obivous—

IT'S CHEAPER THAT WAY!

Disraeli said:

"A precedent embalms a principle."

So the professional public power boys have assiduously attempted to set up the precedent and embalm the principle that

*An address by Mr. Gadsby before the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1954.

Federal power belongs to the Federal tax-exempt or tax-supported agencies tax-free.

To pick up a phrase of a quarter century ago, "Let's look at the record."

Constant efforts are made to establish a precedent going back to the Reclamatiton Act of 1906, but it's a far cry from the wording and intent of that Act to the present-day claims of the public power advocates that all power generated at Federal projects belongs in perpetuity to customers of the co-ops and other Federal tax-exempt or tax-supported agencies.

In 1906 Congress, in amending the original Act of 1902, said:

"**Lease of Water Power.** Whenever a development of power is necessary for the irrigation of lands, under any project undertaken the said reclamation law, or an opportunity is afforded for the development of power under any such project, the Secretary of the Interior is authorized to lease for a period not exceeding 10 years, **giving preference to municipal purposes**, any surplus power or power privilege. . . ."

This conferred no special privilege on any group of citizens. Regardless of who bought the power, it was to be used first for **municipal purposes** with no further restriction on supplying **other users** or discrimination against one group of users for the benefit of others.

And that's the precedent claimed for embalming the special privilege of cheap—by reason of freedom from taxes and normal free market interest—power for the exclusive benefit of some 20% of all the American users of electricity.

The Rivers and Harbors Act of 1912 authorized the Secretary of War, upon recommendation of the Chief of Engineers, to provide means for the future development of water power, but no preferential treatment of certain customers is even mentioned.

The Federal Water Power Act of 1920 contained a preference to states and municipalities which applied for licenses to **build** their own hydro power developments which were deemed by the Federal Power Commission to be well adapted to conserve and utilize in the public interest the water resources of the region. No restrictions here on the distribution of the power as between favored and non-favored classes of customers.

The Boulder Canyon Act of 1928 is clean-cut and says:

"(c) Applicants for purchase of water and electrical energy; preferences.

"Contracts for the use of water and necessary privileges for the generation and distribution of hydro-electric energy or for the sale and delivery of electrical energy shall be made with responsible applicants therefor who will pay the price fixed by the said Secretary with a view to meeting the revenue requirements herein provided for. In case of conflicting applications, if any, such conflicts shall be resolved by the said Secretary, after hearing, with due regard to the public interest, and in conformity with the policy expressed in the Federal Power Act as to conflicting applications for permits and licenses, except that preference to applicants for the use of water and appurtenant works and privileges necessary for the generation and distribution of hydroelectric energy, or for delivery at the switchboard of a hydroelectric plant, shall be given, first, to a State for the generation or purchase of electric energy for use in the State and the States of Arizona, California, and Nevada shall be given equal opportunity as such applicants.

"The rights covered by such preference shall be contracted for by such State within six months after notice by the Secretary of the Interior and to be paid for on the same terms and conditions as may be provided in other similar contracts made by said Secretary. . . ."

This language contains no discrimination among consumers and the Boulder Canyon Project has shown from its beginning the most satisfactory results of any of the Federal projects.

We'll pass the TVA Act of 1933 as it embalmed not a precedent, but as Norman Thomas said, "The fairest flower of Socialism."

The REA Act of 1936 is not a power-producing enactment, and its stringent, preference provisions relate to Federal loans of tax money. Later, by ultra-legal mis-appropriations from REA funds it was twisted into one of the most iniquitous developments in the campaign of preference for the few. However, this was in no way the fault of the Act, the Con-

Continued on page 46

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

There was no essential change in over-all industrial production in the period ended on Wednesday of last week from that of the previous week. It continued about 10% under the output of a year ago.

As for employment, continued claims for unemployment insurance benefits in the week ended May 15 increased by less than 1% over the preceding week. Initial claims in the week ended May 22 decreased by 8% from the level of the previous week.

Unemployment in automotive, textile and apparel industries accounted for the largest number of increases in continued claims.

Unemployment continued to decline between April and May, while the number of jobholders showed a "substantial rise," due to increases in farming and other outdoor activities. The United States Departments of Commerce and Labor reported that unemployment stood at 3,305,000 in the week ended May 8. This was a drop of 160,000 from the previous month, leaving the total 1,999,000 higher than a year earlier. Employment was placed at 61,119,000, up 521,000 over April, but 539,000 below May, 1953.

Business spending for new plant and equipment, the United States Department of Commerce and the Securities and Exchange Commission jointly report, is running below a year ago, but continues to provide a sturdy prop under the economy. Such expenditures, they estimate, will set a yearly pace of $26,900,000,000 in the quarter ending June 30, and drop to a $26,800,000,000 rate in the subsequent three months. The first quarter gait was $27,500,000,000. The two agencies predicted outlays for all 1954 would reach $27,200,000,000. That would be less than 4½% below the record $28,400,000,000 spent last year.

Steel production this week is expected to score its biggest gain so far this year, states "The Iron Age," national metalworking weekly. Steelmaking operations are scheduled at 73.0% of rated capacity, up 2½ points from last week. If this rate is actually achieved the production index will be 108.3 (1947-49 = 100). The industry hasn't operated that high since the third week in February.

The relatively sharp pickup in production it says, may be attributed to the fact that business is better; inventories of additional consumers have been whittled to desired levels; some consumers are placing orders as a hedge against a possible strike. Some are placing orders as a hedge against possible steel price increases resulting from a wage settlement. Some are ordering steel because they are worried about the international situation and some either have received or expect to receive additional defense orders.

If the wage question is settled peaceably, you can expect a moderate softening of the market during the summer, but it adds, there's no denying the fact that the market has more real strength and vigor than it has had for a good many months — even after all hedges are discounted.

Strongest demand is for oil country goods, structurals, tinplate and galvanized sheets. Not so strong but improving are standard pipe and wire products. Most other products range from spotty to weak, it reports.

Scrap prices faltered this week after 11 consecutive weeks of increases. Declines this week lowered "The Iron Age" steel scrap composite price 33c a ton to $28.25 per gross ton.

Solution of the steel wage question poses an unwelcome dilemma to steel consumers. If management gives more than a very modest wage increase to forestall a strike, steel prices will very likely be raised accordingly. Steel officials have not abandoned their belief that wage cost increases must be accompanied by price increases. Rule of thumb in the past has been 40c per ton price increase for each penny of additional wage cost. Price

Continued on page 50

What's Ahead for Germany's Business and Finance?

By A. WILFRED MAY*

Mr. May first details great progress in industrial and agricultural production and in the international trade sector, following the return to free economy in 1948. Then cites elements of present vulnerability, including defense factors, EPU process, lack of capital market, and dangers in foreign trade boom. Believes convertibility is near, but still dependent on U. K.'s program. Concludes Germany, in absence of all-out war, should be able to continue reconstruction of competitive economy able to stand on its own feet and meet its obligations.

Today's visitor to Germany is, of course, immediately struck with the country's tremendous economic comeback, as seen and vividly felt; for example, in the Cologne and Dusseldorf gateways to the Ruhr industries.

A. Wilfred May

To cite some of the specific plus-factors achieved since the 1948 currency reform and the dropping of controls over the economy, which followed the post-armistice slump: industrial production rose sensationally by 20% between 1948 and 1953, and stood 45% above prewar; and in the same period agricultural production jumped from 79% to 114% of the 1936 basis.

And great gains in gross national product have occurred as follows:

	Deutsche Mark (in Billions)
1949	79.8
1950	90.3
1951	113.5
1952	126 6
1953	133.7

These figures are not adjusted for price changes, which were moderate in 1949-50; accounted for half the increase in 1950-51; and since 1951 have been minute.

Since 1949 real wages of industrial workers have actually risen 80%, albeit they are still "taking" a goodly portion of austerity.

In the area of foreign trade, an import surplus of $35 million in 1951 grew into an export surplus of $166 million in 1952, $599 million in 1953, and during the first quarter of 1954 alone a surplus of $197 million. Since 1948 German exports have increased sevenfold.

The Central Bank as of March, 1954, had reserves in foreign currency of $2,172 million, of which $1,340 million was in gold and dollars. The year before the total reserves were only $1,246 million, of which $719 million was in gold and dollars.

*A talk by Mr. May before the German-American Chamber of Commerce; New York City, June 10, 1954.

The Know-How Stimulus to Exports

As you gentlemen will realize, Germany's export boom has been accomplished largely through *know-how;* applied to trade ranging from shirtings for the United States to a wide variety of goods for Greece and Turkey. Throughout the Middle East the visitor clearly and typically sees the Germans' capture of business through the intelligent extension of long-term credits.

For example, long-term credits from German industry have been a helpful element in capital equipment exports; for example in the prospective building of the 350,000-ton steel plant in India jointly by the Krupps and Demag. This huge undertaking in Orissa will be paid for to the extent of 25% by the German companies, and the balance by 8-year credits extended to the Indian Government.

Re-discounting by the Central Bank has been of some indirect help in refinancing long-term credits and other capital exports. This occurs after the exporter has gone to his own bank, or to the Export-Credit Institute in Frankfort.

EPU Process

In assessing Germany's future fiscal status, her position with EPU is most important. Since June 30, 1953, when Germany's surplus stood at $577 million, it has grown month-by-month until at June 1 last it totalled $1,071 million, out of which the German Central Bank received $485.7 in gold and dollars, the other $585.7 million remaining as a credit on the books. This remainder is a paper credit, owed to Germany by EPU; freezes capital which the Germans badly need at home. It appears that this EPU balance constitutes an unwelcome export of capital on an "anonymous" basis without the lender's privilege of picking the recipients and the risks.

Thus, under the EPU arrangement, substantial export balances have gone to Western European countries. The arrangement tends to make Germany's creditor position extreme by freezing her credits. In other words, she is getting large amounts of paper credits, at the same time that she is paying for her import surplus in cash to the United States and Canada.

It assuredly is vitally important

Continued on page 57

Will Business Activity and Interest Rates Recover in 1954?

By DR. GORDON W. McKINLEY*
Chief Economist, Prudential Insurance Company of America

After calling attention to what has happened and is happening to business, regarding which, he holds there is considerable confusion, Dr. McKinley finds recent dip in business activity due to some reduction in government spending, but mainly to the cutting down of inventories. Finds as supporting factors checking the business dip: (1) spending on plant and equipment; (2) home building; (3) continued government spending; and (4) renewed inventory accumulation. Predicts consumers will increase spending, and general business atmosphere will be a favorable one. Points out interest rates on government securities control other rates, and forecasts low interest rates for remainder of year.

I want to talk today on two separate, though not unrelated, topics. First, What's Going to Happen to General Business Activity During the Rest of the Year? Second, What's Going to Happen to Interest Rates? These two questions are vital to savings and loan associations because what happens in these two areas will determine not only the volume of your business but the profitability of your business. There are few business establishments in the United States which can remain prosperous if the general economy does not remain prosperous, and savings and loan associations particularly are affected by the important question of interest rates.

Gordon W. McKinley

Before we get into the question of what's going to happen to business during the rest of the year, let's get clearly in mind what has been happening to business and what is happening to business. Surprisingly enough, this is a subject on which there seems to be a great deal of confusion. An almost endless variety of words are used to describe the present situation. Some say we are in a recession; others say that this is not a recession but an inventory adjustment. Still others call it a dip, a decline, a contraction, a correction, a depression.

Now none of these words has an exact meaning so that it would be impossible to prove exactly which of them is appropriate. But I do think that in all this confusion a few facts will help us not only to put the present situation in perspective but to lay the groundwork for a more intelligent guess as to the future.

In the second quarter of 1953, the production of all goods and services in the United States—what economists call the gross national product—reached an all-time peak. In that quarter, gross national product was running at an annual rate of $371 billion. Since then, GNP has declined slowly but steadily until in the first quarter of 1953 it had fallen to $359 billion. In others words, the total production of goods and services in the United States has fallen in the past nine months by slightly over 3%.

What caused this decline? Why did business activity, which had been humming ahead at a phenomenal pace up until the middle of 1953, suddenly reverse direction and go into this gentle decline?

Business activity in the United States depends on **spending**. If we have lots of spending, business booms. If spending declines, business activity declines. There are of course lots of different kinds of spending in the United States. There is government spending, business spending on plant and equipment, spending for the purchase of homes, consumer spending, and finally, business spending on inventory. The question is, Which of these different types of spending has declined in the past year? Which of them is responsible for the fall in business activity?

If we had to rely solely on published accounts of lower sales of automobiles, apparel, and other selected consumer goods, I think our first answer might be that it is consumer spending that has declined and brought on the current adjustment. Yet nothing could be further from the truth. Total consumer expenditures on goods and services are now running at a level equal to the highest point reached in 1953. Consumer expenditures in the first quarter of 1954 were **higher** than in the first quarter of 1953.

It is true that consumers have shifted the **type** of their spending. They are now spending more on services and less on durable goods than in 1953. But such shifts in consumer spending are always going on in our flexible economy. The important point to remember is that total consumer spending is now at an all-time high. The present dip is most certainly not due to a fall in spending by ultimate consumers.

Causes of Business Decline

Is the dip, then, due to a decline in business spending on plant and equipment? Again the answer is no. Business expenditures on plant and equipment are, like consumer expenditures, approximately equal to the high point reached in the middle of 1953. This to me is one of the most encouraging factors in the present business picture. There was a time when business would have scurried for the storm cellar at the first sign of an adjustment, and in doing so they would have cut back their capital goods spending and thus brought on the very recession they feared. Today I am happy to say that we have a different breed of businessmen — men who have faith in our economy and are willing to back up that faith with dollars. Business today is continuing the tremendous investment in capital equipment which has characterized the whole postwar period—and by doing so, business is contributing its part to a stable and prosperous economy.

What about expenditures on housing? I am sure that I don't need to tell this audience that housing is holding up at an amazingly high level. Private housing starts thus far in 1954 have been running at over a million a year, and total expenditures on nonfarm residential construction in the first quarter were almost exactly equal to the first quarter of 1953.

The decline in business activity has therefore not been due to a decline in consumer expenditures, nor to a decline in business spending on plant and equipment, nor to a decline in housing expenditures. This leaves only two other major spending segments in the economy — government spending and business spending on inventory. A glance at the figures shows very clearly that these two spending segments are in fact the culprits. The total decline in gross national product is just equal to the total decline in government spending and in business spending on inventory.

Spending of the Federal Government has declined $5 billion from the peak rate of 1953. State and local government expenditures, however, have risen by $2.5 billion. Total government spending on goods and services has therefore fallen $2.5 billion since the high point of 1953.

Business spending on inventory requires a good deal of explanation, not only because it has been the principal cause of the present business dip but because its relation to gross national product is sometimes misunderstood.

Reduction in Inventories

There are periods when all business in the United States is holding inventory fairly constant. During such periods business establishments are on the one hand using up inventories as they supply the orders of their customers. But they are on the other hand replenishing inventories by buying raw materials and semimanufactured goods from other business establishments. When this is happening, business at various stages of production are simply passing along the orders of the ultimate consumer.

During other periods, however, businesses buy more raw materials and semimanufactured goods from their suppliers than they need to satisfy the orders of customers. In this case they are building up inventories. They are not simply passing along the spending of the consumers: they are adding to that spending some spending of their own. The result of this additional spending is that business activity as a whole rises above a level which the ultimate consumer is willing to endorse. As a result of this inventory accumulation, we therefore have a period when total business activity is maintained at artificially high levels and the economy appears more prosperous than it actually is. This is what happened in the first half of 1953.

In the first half of 1953 business was accumulating inventories at the rate of about $5.5 billion a year. In other words, it was adding $5.5 billion of its own spending on inventory, in addition to such spending as was needed to satisfy consumer orders. Such an accumulation of inventory could not, of course, be maintained. Business, suddenly realizing that inventories were rising at an alarming rate, began in the last half of the year to cut back this type of spending. By the fourth quarter of 1953, business not only had ceased accumulating inventories but was actually reducing inventories. This was therefore a sort of negative spending. Instead of passing along the full volume of consumer orders, business was living off existing inventories. As a result, total business activity declined below the level which one would have expected on the basis of consumer orders themselves.

In the first quarter of 1954 this run-down of inventories has continued and been accentuated. In the first three months of this year total business inventories declined at a rate of $4.5 billion a year. Since the middle of 1953, inventory spending has therefore shifted from a plus $5 billion to a negative $4.5 billion. This has meant that $9.5 billion has been subtracted from total spending and therefore from our total production of goods and services. When we add to this decline the $2.5 billion decline in government spending, we end up with the total decline of about $12 billion in gross national product.

The decline in total business activity which has occurred since the middle of 1953 is therefore correctly described as an inventory adjustment. Of the total fall of $12 billion in gross national product, $9.5 billion has been due to a reduction in inventory spending, the remaining $2.5 billion being accounted for by the fall in government expenditures. The amazing thing about the present business picture — and the thing which seems to me very significant for the future—is that, during all this adjustment, there has been no reduction in consumer spending, no reduction in business spending on plant and equipment, and no reduction in spending on homes. These important spending segments — accounting for almost 80% of the total production of goods and services in the United States — have continued steadily along refusing to be panicked into a pessimistic contraction.

In describing the present dip as an inventory adjustment, I do not mean to minimize the real hardship which has come to some communities. Those cities and areas which depend heavily on coal mining, steel production, or automobile assembly, have been particularly hard hit. I know that some of you who come from communities whose principal industry has taken a heavy reduction in orders will find it difficult to view the present situation as a mere adjustment. On the other hand, it is important that we not lose our sense of perspective. A free economy must be prepared to endure adjustments, even though individual areas are hurt. It is only in this way that our economic system can remain flexible and responsive to the changing wishes of the consumer.

What About Rest of 1954?

Now what about the rest of 1954? If this is an inventory adjustment, when will it be completed? What is likely to happen to each of the major spending segments in our economy in the next eight months? Let's take them up briefly one at a time, and if you will note my conclusion with respect to each separate segment, we can total them all up to see what is likely to happen to business activity as a whole.

First: **Business Expenditures on Plant and Equipment.** **The latest McGraw-Hill survey indicates that businessmen plan to spend on plant and equipment in the remainder of 1954 at about the same rate they are now spending. I am slightly less optimistic. I think we must count on a decline of at least one billion dollars in the annual rate of spending in this sector.** This type of spending by itself will therefore tend to pull down total business activity a billion dollars below its present level.

Second: **Spending on Homes.** If the housing bill at present being considered by Congress is passed, the current rate of housing starts can be maintained for the rest of the year. An increase in fixup work should offset any decline in home prices, so that total spending on homes will remain at about its present high level. The housing sector will thus continue to contribute its present force to total business activity but will not tend to raise or lower total business activity.

Third: **Government Spending.** Any further decline in Federal spending over the remainder of this year will be minor, and will, I believe, be entirely offset by a continued rise in state and local government spending. Government spending will therefore cease to exercise the downward pull it has exerted on the economy in the past nine months. Since, on the other hand, it will not be rising, it will not contribute to any change in the present level of business activity.

Fourth: **Inventory Spending.** I believe that we can expect a major upward influence on the economy from this sector, not because business will start to accumulate inventories, but because it will cease inventory liquidation. As I have pointed out earlier, the major factor in the decline in business since last year has been the shift from a policy of inventory accumulation to one of inventory liquidation. I believe that the inventory adjustment is now about completed. Inventories at the retail level in most industries are already down to satisfactory levels. The ratio of inventories to sales for department stores, for example, has been cut down below the level at the beginning of 1953. In many lines the inventory adjustment has carried all the way back to the manufacturer. It is therefore my feeling that total business inventories in the United States will remain for the rest of the year at approximately the level that they have reached in the month of May.

Since there will be no accumulation of inventories, this factor

*An address by Dr. McKinley at the 116th Annual Convention of the National Savings and Loan League, New Orleans, La., May 11, 1954. The views expressed by Dr. McKinley are his own and not necessarily those of any organization.

will not exert any upward effect on total business activity. But it is important to note that the $4.5 billion downward influence which was exerted in the first quarter by inventory liquidation will be removed.

Finally, what is likely to happen to consumer buying during the remainder of 1954? I believe that by the end of 1954 consumers will be buying at a rate $4 billion above the present level. It should be noted that in the first quarter of this year consumers were saving at one of the highest rates on record. This saving was undoubtedly partly motivated by consumer caution in the face of the uncertain business situation. The upturn in business which is already underway will I believe, build up consumer confidence, so that they will return to a more normal distribution of their incomes between saving and spending. This fact alone will add $2 billion to consumer spending. Gradually rising employment will account for the remaining $2 billion.

Now let's add up the changes which we expect in these five major spending segments. Business capital spending may decline one billion dollars; there will probably be no change in total expenditures on homes; government spending will also remain constant because rising state and local government expenditures will offset a minor decline in Federal Government expenditures; inventory spending will have an upward effect of about $4 billion not because of a rise in inventories but because of the cessation of inventory liquidation; and finally consumer spending will rise by about $4 billion. When we add up the changes in these spending segments, they total a plus $7 billion. This means that total business activity at the end of the year should be running at an annual rate $7 billion above the first quarter of this year.

If these estimates prove correct, the gross national product in the last quarter of 1954 should be around $366 billion. The average for the year as a whole will be about $362 billion. In other words, my forecast for 1954 as a whole is that total business activity will be between 1% and 2% below the record year 1953. I believe it will be about 4% above the very prosperous year 1952.

The Question of Interest Rates

The general business atmosphere in which you will be operating for the rest of the year will therefore, in my opinion, be a favorable one. But what about interest rates? What about the price which you are going to be able to charge on the money you lend out?

The rate in which all of you are interested is of course primarily the mortgage loan rate, and it might therefore seem logical that I should immediately begin talking about housing and the supply and demand for home mortgages. But unfortunately the problem is not so simple. As many of you may have heard me say in the past, the mortgage loan rate is really not determined in the mortgage loan market at all. It is determined, like all interest rates in the United States, in the government securities market. It is for this reason that I think all savings and loan executives should follow developments in the government securities market closely, even though you may not be planning any extensive investments in that market.

Let me enlarge a little on this point and show you just how it is that the government securities market determines the yield which you get on mortgages. As all of you know, there is not just one price for money in the United States, but a whole array of prices; there is not just one interest rate, but a whole spectrum of interest rates. In your business for example, you find that mortgage loan rates are typically higher in the West and the South than in the North and the East. You also find that the yield that you get on governments is very different from the yield that you get on mortgages.

In addition to these different rates which you experience in your business, there are many other variations in interest rates. Rates vary according to risk, and according to term, and according to tax characteristics of the security, and according to a whole host of differences in different types of loans.

Although there are therefore many different interest rates, all interest rates are related or bound together into a loose bundle, so that generally they tend to move together. The principal explanation for this common movement of interest rates is that lenders, and borrowers, can move from one type of security to another. If rates on a certain type of loan get very high relative to other types of loans, then lenders tend to move to the high yield security and borrowers tend to move to the low yield security, so that the rates are forced closer to each other.

Fluctuations in Various Interest Rates

It is therefore correct to think of a spectrum, or bundle, of rates moving up and down together. But while rates generally move in the same direction, some are much more sensitive and flexible than others. Probably the most sensitive rate in the United States is what is called the Federal Funds rate. This is the rate that bankers pay to each other when they borrow balances at the Federal Reserve Bank. You will notice if you follow this rate in the paper each day, that it often fluctuates violently from as little as ⅛% up to 1½%. This rate therefore tells us the day to day variation in the very short term market.

Next in line of sensitivity comes the Treasury bill rate. And after that the rates on all government securities. Still less sensitive, but nevertheless quite flexible, are the commercial paper rate, the bankers acceptance rate, and the rates on different kinds of corporate bonds.

As we begin to move away from these sensitive rates, we come to the sticky, slow-moving end of the rate spectrum. Here we find the mortgage loan rate, the prime commercial bank rate, and, finally, perhaps stickiest of all, the consumer loan rate.

When an over-all movement in interest rates begins, the movement is of course first reflected in the sensitive end of the spectrum. The yields on Federal Funds, Treasury bills and other government securities will perhaps begin to move upward. More slowly will follow bankers acceptance, commercial paper, and corporate bond rates. If the movement continues long enough, changes will finally occur in mortgage loan rates, and the prime commercial bank rate. Only a very long and wide movement in the rest of the market will cause a change in consumer loan rates.

Now of course there can be many movements in the flexible rates which are never reflected at all in the sticky rates. We frequently have government securities moving up and down with no apparent effect on mortgage loan rates. This is because the move-

Continued on page 53

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Aircraft Manufacturing Stocks—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Area Resources—Booklet on the Utah-Wyoming-Colorado area—Department M, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Best's Digest of Insurance Stocks—Obtainable through Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y. at bulk price of $8.09 (regular list price $10.09).

Current Recommendations—Switch recommendations—Joseph-thal & Co., 120 Broadway, New York 5, N. Y.

Earnings Performance For Japanese Stocks—In current issue of Weekly Stock Bulletin—The Nikko Securities Co. Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Electric Utilities and Natural Gas Companies—Comparative studies on 95 electric utilities and 30 natural gas companies—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Electronics—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is an analysis of **Radio Corporation of America**.

Financial Statistics—Booklet—General Telephone System, 260 Madison Avenue, New York 17, N. Y.

Fire & Casualty Insurance Earnings—Annual Comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Florida's Resources—Data—Florida Power & Light Company, Industrial Development Service, P. O. Box 3100, Miami 32, Florida.

Insurance Stock Price Ratios—Tabulation—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y. Also available is a tabulation of **New York City Bank Stock Price Ratios.**

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Materials-Handling Equipment—Analysis with particular reference to **Yale & Towne Manufacturing Co.** and **Clark Equipment Co.**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y. Also in the same bulletion is a list of long-term dividend payers with good returns.

Natural Gas Industry—Analysis—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

New Orleans Industrial Resources — Information — Industrial Development Staff, New Orleans Public Service Inc., 317 Baronne Street, New Orleans, La.

New York City Bank Stocks — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Nuclear Power and American Industry—Study—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Plant Sites—In Michigan, Indiana, Ohio, West Virginia, Virginia, Kentucky and Tennessee—With eight-color map showing power lines and natural resources—American Gas and Electric Co., 30 Church Street, New York 8, N. Y.

Pulp Industry in Japan—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the **Electric Wire and Cable Industry and Spinning Industry** and discussions of **Investment Trusts in Japanese Economy** and current foreign trade.

Rail Stocks—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Virginia Industrial Resources—Information—Area Development Department, Virginia Electric and Power Co., Richmond 9, Virginia.

World Raw Sugar Prices—Chart for 1950-1954—Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y.

* * * *

American Hoist & Derrick Company—Analysis—Kalman & Co., Inc., Endicott Building, St. Paul 1, Minn. Also available is an analysis of **Minneapolis Gas Company.**

Armstrong Cork Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Butler Brothers, Central & Southwest Corp.** and **U. S. Pipe & Foundry.**

Chase Chemical Company — Analysis — Vickers Brothers, 52 Wall Street, New York 5, N. Y.

Durez Plastics & Chemicals—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Fruehauf Trailer Corporation—Survey—Ross, Lyon & Co., 487 Broadway, New York 13, N. Y.

Gustin Bacon Manufacturing Co. — Memorandum — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Heywood-Wakefield Company—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Hycon—Literature—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Missouri Pacific Railroad—Memorandum—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Nekoosa-Edwards Paper Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

New England Lime Co.—Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.

New York State Electric & Gas Corporation—Annual report and ten-year financial and operating statistical supplement—New York State Electric & Gas Corp., 62 Henry Street, Binghamton, N. Y.

Oswego Falls Corporation—Card memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Snap-on-Tools Corporation — Report — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Underwood Corporation—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. In the same bulletin are also data on **Texas Pacific Coal & Oil** and **Great Northern Iron Ore Properties.**

Unilever—Circular—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Union Carbide & Carbon Corp.—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

United Air Lines—Special review—$2—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Webb & Knapp—Analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

F. W. Woolworth Co.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold its 35th Annual Outing at the South Shore Country Club, Hingham, Mass., on Thursday, June 24. The day's activities will consist of golf, swimming, soft ball, etc., and will begin approximately at noon. Dinner will be at 7:30 p.m.

SECURITY TRADERS ASS'N OF DETROIT AND MICHIGAN

The Security Traders Association of Detroit and Michigan will hold its 19th Annual Summer Outing at Plum Hollow Golf Club on Tuesday, June 29, 1954.

STADAM's 225 members along with their local and out-of-town guests, will be entertained for the afternoon and evening with golf, dinner, refreshments and the awarding of many prizes.

The Program Chairman for the gala day is Roy F. Delaney, of Smith, Hague & Co.

COMING EVENTS

In Investment Field

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

June 10, 1954 (Chicago, Ill.)
Investment Analysts Society of Chicago annual meeting.

June 11, 1954 (Los Angeles, Calif.)
Bond Club of Los Angeles annual field day at the Wilshire Country Club.

June 11, 1954 (New York City)
Municipal Bond Club of New York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

June 11, 1954 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Whitemarsh Country Club, Whitemarsh, Pa.

June 16-17, 1954 (Minneapolis, Minn.)
Twin City Bond Club annual picnic cocktail party, Hotel Nicollet June 16; field day and golf tournament, White Bear Yacht Club, June 17.

June 17, 1954 (Minneapolis, Minn.)
Twin City Bond Club 33rd annual outing White Bear Yacht Club — preceded by a cocktail party June 16 at the Nicollet Hotel.

June 18, 1954 (New Jersey)
Bond Club of New Jersey annual field day at the Rock Spring Club, West Orange, N. J.

June 18, 1954 (New York City)
"Syndicats" 5th anniversary and outing at the Echo Lake Country Club, Westfield, N. J.

June 24, 1954 (Boston, Mass.)
Boston Securities Traders Association 35th annual outing at the South Shore Country Club, Hingham, Mass.

June 24-25, 1954 (Cincinnati, O.)
Cincinnati Municipal Bond Dealers Spring party.

June 25, 1954 (New York City)
Municipal Bondwomen's Club of New York annual outing at Rock Spring Club, West Orange, N. J.

June 26, 1954 (Chicago, Ill.)
Bond Traders Club of Chicago 28th annual field day at Nordic Hills Country Club.

June 29, 1954 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan 19th annual summer outing at Plum Hollow Golf Club.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

David Morris on Trip To West Coast

David Morris, David Morris & Co., 52 Wall Street, New York City, will leave with his wife on June 22 for a month's trip to Los Angeles, Santa Barbara, and San Francisco.

With Vickers Brothers

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — John P. Young is now associated with Vickers Brothers of New York.

Joins Calif. Investors

LOS ANGELES, Calif. — Frederick A. Clarke has been added to the staff of California Investors, 3924 Wilshire Boulevard.

A New Generation of Electric Power Every Year

By IRA U. COBLEIGH

Enterprise Economist

Topical review of the sustained pace of enlarged power production, and expanded earning power of representative electric utilities.

Though textiles sag, liquors are still on the bargain counter, and the coal industry prospect is so black it looks as though it could never get out of the red, the power and light companies have gone blithely on their way ignoring the "rolling recession" and racking up new highs in output, sales, earning power and financial prestige. The statistics for 1953 are impressive; generating capacity increased from 91 (1952) to 102 million kilowatts, a 12% upsurge in residential use over 1952, nearly $6 billion spent on electric appliances, and $4.1 billion, plus, laid out on capital additions, half of that in generation.

Ira U. Cobleigh

This year, five months on its way, shows no evidence of abatement in the demand for utility service. Another $4 billion will go to capital expenditures, with perhaps $1¼ billion directed into distribution facilities to catch up with the generating expansion of recent years. Total KW sales 1953 exceeded 400 billion KWHR, and this figure is almost certain to be topped this year with over 10 billion KWHR slated for Atomic Energy Commission alone. This Commission demand on the horizon is fabulous, and within five years, may attain an annual requirement of 40 billion KWHR.

Air Conditioning Demand

Not to be ignored is the already impressive expansion of appliance demand. What started, a few years back, as spot air conditioning room units, for home or office, with relatively few big complete installations for theaters and office buildings, etc., has mushroomed into a tremendous nationwide industry with retail sales last year of $1¾ billion, up 40% from the preceding year. About 900,000 single room air conditioning units were sold in 1953; yet the surface has hardly been scratched with only about 3% of the nation's 44 million electrically-connected homes boasting air conditioning units; and almost eight million apartments without benefit of same.

You probably noticed in the papers last week a super-modern home development down in Texas, Dallas I believe, where the houses were completely controlled for heat or cold by electrical switchover systems estimated to cost $80 a year for juice. These are experimental, but they point to a promising future for central residential air conditioning, heat pumps, and their attendant demands for more and more power. Mention has frequently been made of TV position as a promoter of electric sales, but did you know that color TV will require twice as much current as black and white?

Then, of course, you've been reading about automatic factories, run by electronic brains, and a million dollar robot calculating machine bought recently by Metropolitan Life. All these things mean more electricity, which the industry has kept producing, and at an actual reduction in unit rate! For 1953 the average KWHR rate was 1.77c against 1.78c in 1951.

Energy Source Unchanged

A word should be said about the character of power generation. It hasn't changed much in recent years, about 85% steam generating, 14% hydro-electric, and 1% internal combustion. About the steam units, some in the Northeast, have been switching from coal to natural gas as a fuel source (another booting around for the coal trade). Against that, however, the Ohio River plant of the Atomic Commission is reported to require 25 million tons of coal a year for its operations.

The public power boys are still yapping it up, but the climate for expansion of public power in Washington is not nearly so favorable as it was in the score of years ended Jan. 1, 1953; and the general public has been more correctly apprized of the hidden costs and the penalty to taxpayers, inherent in government power projects.

Atomic Power

Another item in the headlines, and deep in the thinking of utility executives, is atomic generation of electric power. Already Duquesne Light Co. in conjunction with Walter Kidde Co. has a project for the development of electric power in this way. At the Edison Electric Institute annual meeting in Atlantic City last week, Dr. John R. Dunning, Dean of Engineering at Columbia University (and one of the deans of atomic wisdom in the U. S.), stated that "peacetime harnessing of atomic power had passed out of the pure science phase and into the engineering and business phase." He further predicted that, within from 10 to 20 years, most of the electric power companies in the U. S. will have at least part of the electric power they distribute produced by atomic energy.

From the foregoing, we must view the power and light industry as still dynamic; still moving forward in production, sales, distribution and earning power.

Investor Confidence Warranted

Turning now from the broad economic viewpoint to the investor's window, we can perceive no valid reason why investors (1) should sell utility stocks, even though they have handsome gains therein; or (2) take a timid view about buying selected issues because they may be selling at, or near, all time highs.

Lack of confidence in an industry, if any, should stem from a belief that there is overproduction, that prices must be brought down, that inventories are at a dangerous level, or that there is a menacing competitive threat, or that growth has ceased. None of these negative factors are at all perceptible among the electrics, and although the leading utility equities have been among the most stalwart performers in the markets of the last 90 days, there is slight logic in developing a timidity complex respecting electric purchases even now. There were a number of dividend increases in 1953, and, totally, common dividends on privately owned electric light and power companies rose from $602 million in 1952 to $639 million in 1953. Across the board, about 70% of net was paid out in dividends in 1953.

Sound Capital Structures

Great maturity is now evident in the financing formulae for operating power and light companies. The days of the "shoe string" equity in a power company are gone with the Insulls; and standard practice suggests a bonded debt of 44-48%, preferred 12-15% and common from 32-38%. These ratios, throughout the country, seem to have become quite normal, and there is almost no major electric utility today where the common shareholder has less than a 30% slice of the pie.

As a matter of cold hard fact, if the average Joe Investor had done nothing in the past 30 years but buy the commons of leading operating electric companies, such as Commonwealth Edison, Consolidated Edison, Florida Power, Pacific Gas and Electric, Tampa Electric or Hartford Electric Power, he'd have received fine dividends benefited by handsome capital gains, been vouchsafed many valuable stock purchase rights, and been insulated against most of the woes that have beset investors in many other industries.

Not only have electric utility equities proved their worth historically; they show no signs of losing their investment lustre. The average householder in 1929 bought 502 KW a year; in 1951, 2,004; and in 1953 the total was way up to 2,350. As a matter of fact, what has been called a "copper barrier" has appeared in many individual homes. Original wiring and circuits were too small to carry the required new juice load for washers, ironers, electric ranges, and, especially, air conditioners. Hundreds of thousands of homes are candidates for new wiring; and then look for another new horizon of current buying.

Finally, back in 1950, the President's (Truman) Materials Policy Commission predicted that electric power production would expand by 1975 by 260%. This column is surely in no position to confirm, or necessarily to endorse, this prediction but frankly the trend, since 1950, has done nothing to discredit same!

Trust Favorites

If we have, ~~up to now~~, been unable to make our point about the usefulness of electric utility equities, may we now implead the professional investment managers? Among investment trusts, utilities are today the second favorite investment field (following oils and natural gas); and somewhere between 11% and 14% of common stocks held by trusts today are utilities. Specific favorites would include Middle States Utilities, Central and Southwest Corp., Niagara Mohawk, American Gas and Electric and Texas Utilities. Nobody is likely to quarrel with this consensus selection, but might I add my own favorites? Long Island Lighting and Houston Electric Power.

No urgency is given here to electric equities; but some current comment has been offered to suggest that the time honored qualities of stability of principal value, regularity of dividend and capital growth are, on the record, quite inherent in this field. The fact that there's a new generation of power each year, gives some assurance that utility equities should not fade!

NY Security Dealers Elect to Membership

The New York Security Dealers Association announces that Lewis & Stoehr, Inc., New York City, and General Investing Corporation, New York City, have been admitted to membership in the association.

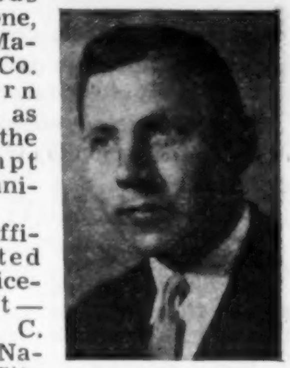
H. L. Robbins Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Leon H. Lovitt has been added to the staff of H. L. Robbins & Co., Inc., 40 Pearl Street.

deBary Elected Pres. Of Municipal Forum

Marquette deBary, a partner in the firm of F. S. Smithers & Co., has been elected President of the Municipal Forum of New York. He succeeds Fred D. Stone, Jr., of the Marine Trust Co. of Western New York, as head of the tax-exempt bond organization.



Marquette deBary

Other officers elected were: Vice-President — Rollin C. Bush, The National City Bank; Secretary — William E. Bachert, The Bank of New York; Treasurer — Edwin A. Bueltman, Blair, Rollins & Co. Inc.

The following were elected as new members of the board of governors: David M. Ellinwood, Moody's Investors Service; William T. Hall, Jr., The Bond Buyer; Henry Grady Wells, Jr., Andrews & Wells; and Charles S. Sykes of Vandewater, Sykes, Heckler & Galloway.

Wm. Schwartz Appointed Sales Mgr. by Grayson

William Schwartz has been appointed Sales Manager of A. J. Grayson, Investment Securities, 82 Beaver Street, New York City. Mr. Schwartz was formerly with Lehman Bros. and First Investors Corp.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Henry H. Kubik, Jr. is now connected with King Merritt & Co., Inc.

Role of Hotel Chain In American Economy

By ERNEST HENDERSON*

President, Sheraton Corporation of America

Mr. Henderson contends that, since operating economies inherent in chain operation of hotels are substantial, the growth of large chains seems inevitable. Lists as advantages of multiple hotel operation: (1) greater effectiveness of national advertising; (2) purchasing economies; (3) greater opportunities to use scientific methods; (4) more advantageous financing; and (5) inter-city channelling of business between units in hotel group.

Although the hotel industry is one of the seven or eight largest industries in the country it is one of the very few that is broken up into such a large number of independent units. Whereas in such industries as electrical equipment and automobiles more than 90% of the business is controlled by the so-called "big three." in the hotel business the three leading chains, Hilton, Sheraton and Statler, represent less than 10% of the total volume of hotel sales. Hilton's 1953 sales volume is reported to be $98,000,000. Statler's sales are estimated to be $64,000,000. Sheraton for the year ended April 30, 1954 expects to show sales of $75,000,000. This compares with a hotel sales volume for the country of $2½ billion. Since the operating economies inherent in chain operation are substantial, it seems ineviable that the growth of the large chains in coming years will be significant.

Ernest Henderson

The principal advantages of multiple hotel operation include the following:

(1) Greater effectiveness of national advertising.

(2) Inter-city channeling of business between units of a hotel group.

(3) Purchasing economies.

(4) Better opportunities for introduction of scientific methods.

(5) Opportunity to secure more advantageous financing.

National advertising in leading magazines is a most effective means of increasing sales volume. The cost of securing business in this way, however, is excessive when a single hotel in a single city is involved. The hotel chains with numerous hotels located in many cities can divide the cost of one advertisement among their respective units giving each unit the full advantage of the advertisement at only a fraction of the cost for each hotel. In Sheraton's case it means that 28 hotels in 21 cities profit from a single national advertisement at relatively small cost for each. When hotel advertising budgets run as high as $1,000,000 annually, the spreading of the expenditures over multiple units is imperative and only hotel chains can afford to do so.

The installation of direct teletype connections between all of the units of a chain, a development originated by Sheraton, has made possible the channeling of a large volume of inter-city hotel business from one unit to other units of the same group. Sheraton estimates that one-quarter of all its room reservations are now made through its free teletype service between hotels, and the same must be true for other chains and groups using the same system. The plus business growing out of the channeling of business between hotels is an important element in the earning power since it is the "extra" business which produces the highest percentage of "net."

Economy in Purchasing

Efficient central purchasing and savings resulting from large volume buying are available only to the multiple group units in our industry. Sheraton profits very materially from both and so do its competitors, Hilton and Statler, and the other multiple owned and operated hotels in the industry.

By dividing the cost of central supervision and the cost of scientific studies in connection with food and beverage controls, payroll studies, work-load analyses, engineering studies, etc., a large group of hotels can secure the services of the best specialists in the field. The cost of such supervision might be prohibitive for an individual hotel. It becomes less burdensome when spread over many, which only chains can do.

Sheraton has just completed studies looking to the scientific determination of the best rate structure with respect to pricing of hotel rooms. The services of some eminent specialists in higher mathematics were secured, and after six months' work on complicated calculus formulae, there have been evolved methods of determining the rate structure which will create the maximum guest satisfaction commensurate with satisfactory rates and occupancy.

Securing Adequate Financing

One of the principal problems of individual hotels is the difficulty of securing adequate financing. Even well managed hotels often find this problem difficult because in the case of a single hotel financial institutions often find it difficult to appraise the effectiveness of the management. Lack of diversification is also a deterrent to adequate financing. Hotel chains when dealing with the larger financial institutions supplying mortgages and other forms of financing have found themselves in a much better position when questions of raising money have arisen.

Because Sheraton has the largest number of hotels and covers more American and Canadian cities than either of its principal competitors, it has been in a better position to derive the maximum benefits from national advertising, channeling business between cities, as well as from many other advantages of multiple operation.

The principal adverse factor in the hotel industry is motel competition. Motels do to some extent affect hotel business in smaller cities, for they drain off a portion of the transient guests that travel by motor car. Fortunately the larger cities are not materially affected, and, of course, the principal business arriving by train and plane is not affected. Modern hotels in smaller cities where such competition does exist are taking

Continued on page 53

*Summary of an address by Mr. Henderson before a group of Boston bankers and brokers, Boston, Mass., May 6, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

The late Chief Justice Fred Vinson and I were talking one afternoon about the personalities with whom he had served in his many government positions—member of Congress, member of the Court of Appeals, War Price Stabilizer, Secretary of the Treasury and finally Chief Justice. He was not one to be too critical of his fellow men, but out of a clear sky he brought up the name of Robert Stevens, presently imbroiled Secretary of the Army.

Carlisle Bargeron

There was a man, Vinson said, whose sole desire was to serve his country. At the time there was no public mention of his being considered for Secretary of the Army. His name was not in the public prints at all and frankly I had never heard of him.

Stevens was head of the textile division under Vinson when the latter was serving as Price Stabilizer with orders to hold the price line. There came a time when the military needed blankets and needed them quickly. Vinson said he realized that his cherished price line would be broken under the circumstances. He called in Stevens and told him to get the blankets, yielding on the price line where necessary, but holding it the best he could.

In due time, Stevens reported back that the blankets had been acquired and that only one company had broken the price line and this was not his own company, one of the largest textile manufacturers in the country.

When Stevens was nominated for Secretary of the Army he publicly groaned over having to give up his interest in the family-held textile company, saying it meant the family loss of control of the company. But he gave it up nevertheless.

So, the position he now finds himself in, in the McCarthy dispute is tragic. It is all very well to say that much of it is due to his being a gentleman. You can easily understand that a man of his gentility would break bread with Private Schine's family, would entertain McCarthy and Cohn at dinner or luncheon, would offer them the use of his private plane, would even ask—he denies it—Private Schine to pose with him for a photograph.

His basic mistake, I think, was in misunderstanding the nature of his office. He took it to mean that the Secretary of the Army is appointed to defend the Army. The fact is that the purpose of civilian heads over the branches of the armed forces is to insure civilian control over the military. They are supposed to keep the military brass under foot. There is not the slightest doubt that this is needed, particularly since it is apparent that we have got to live with a tremendous military establishment for the rest of our lives.

In my life time I have never known but two civilian heads of the military who were, in fact, heads. The gaudy braid and decorative breast cabbage of the high brass have invariably overwhelmed the civilian overlord regardless of how elegantly tailored he may have been, or how authoritative he may have been in his civilian pursuits. This was true back in peace times. It is more pronounced in time of war or in such threatening times as we are living.

One exception was Josephus Daniels who served as a wartime Secretary of the Navy and who was a mighty stubborn character. He was held up to ridicule often but in the end he seemed to come out as the boss. At least he succeeded in removing intoxicating beverages from the ships. The present Secretary of Defense, Charles E. Wilson, also seems to have made himself boss but only time will tell whether he doesn't mellow under the blandishments of the Generals and Admirals.

Stevens, however, was taken into camp right off the reel. He came away cheerfully from a meeting with Senators Mundt, Dirksen and McCarthy at which a *modus operandi* for the McCarthy committee's investigation of Communist infiltration into the Army was agreed upon. Then he read in the papers that the Pentagon brass was calling him a yellow belly. They were outraged because he did not stand up and fight for them.

The Army was not on trial nor under attack. The whole imbroglio turned around Major General Zwicker. He had been insulted by McCarthy and there is no doubt he had been.

It is utterly ridiculous that Stevens should have been forced into the position he is in by way of defending the General. The General is a grown man, quite capable of defending himself. The record is clear that he provoked McCarthy by openly showing his contempt for him. His contempt may have been justified but for an Army General to exercise his contempt before an investigating United States Senator, duly authorized by the Senate to make the investigation, is an entirely different thing.

However, even when the General was insulted, all in the world he had to do was to arise in his full dignity and say, "Sir, I will not remain here and be subjected to such an insult," then turn and walk out. This is the privilege of any citizen before an abusive Congressional investigating committee, of which McCarthy's is neither the first nor the last. But when a General or any other citizen does this he wants to make sure his skirts are clean. This is the reason you never hear of a General or any other citizen standing upon his dignity before one of these committees.

Electric Utility Cost Controls In an Expansion Period

By STUART M. CAMPBELL*
Partner, Booz, Allen & Hamilton

Referring to rising costs in electric utility operations, Mr. Campbell points out different ways power companies "can get cost-conscious." Sees need of maintaining high service standards despite rising costs, and gives following suggestions: (1) Review forecasts of growth and plan for the timing of it; (2) take a new look at your organization; (3) visualize changes in organization structure; (4) match job requirements with adequate information on operating costs and capital budgets, and (5) be cost-conscious in your expansion plans.

Your industry has done a tremendous job of anticipating the country's power requirements. You have developed and constructed much more efficient generating stations. And you are doing an excellent job of investigating what may become much more effective means of producing power. For many years, the adoption of such far-reaching technological improvements, along with a very substantial increase in the volume of your output, permitted you to maintain rates while still producing a satisfactory return to your security holders.

Stuart M. Campbell

But in recent years, rising costs have made rate increases necessary. Your capital investment is mounting rapidly to meet the needs of your customers. The higher plant costs, higher labor rates and other rising elements of operating costs have tended to minimize the favorable factors of bigger volume and technical advancement. As a result, the industry faces, in many instances, lower profit margins.

While this change in profit margins warrants management attention, you are entitled to undertake a study of it in an atmosphere of optimism for the future. The approaching general population increase, including a shift in age groups within the population that means there will shortly be a considerable increase in the number of families to be served, adds up to a continuing greater demand for electric service. New products such as air conditioning and electric home heating add further to the promise for the industry. Despite the present leveling off, your industry forecasts for the next ten years are still sound indicators that you have great growth potential.

There is every possibility that you will not only have to build the substantial further capacity indicated by these forecasts, but that the added volume may be realized at an even greater rate than that which you have enjoyed in the past ten years. This probable high rate of expansion will bring with it some important changes in management requirements and one of the most important is that there will be a different problem of cost control.

Industry generally has found that rapid expansion brings with it a change in the control methods required. This will be true of your industry. More people will be involved. The lines of communication will be longer. Not so many problems can come up to the top personnel—they must be dealt with down the line. Policies can be set at the top, but they will be interpreted by a larger group that is often widely separated, both organization-wise and physically. You will run into more of the old home office-branch problems. Your organization requirements will change.

*An address by Mr. Campbell before the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1954.

As your companies grow and as you make changes in your plans of organization, you will necessarily make changes in methods in order to insure that the added volume, with its higher capital investment, is still handled with the right profit result. This has often been industry's problem—to keep proper control over a rapidly enlarging business. Thus, the ingenuity you have shown in the recent growth period will again be called on to meet some old problems that will have new aspects.

For those reasons, I should like to direct your attention to the differences in the problem of maintaining proper balance and control you will face as you approach further rapid expansion. You will reappraise the need for decentralization. As volume grows, you will find it advisable to pass decision-making responsibility more and more to the division and district organizations. You will control more by report and less by personal administration.

Specific planning will be needed to insure that you do not increase the administrative group unduly, as there is always a tendency for each function and each level of supervision to grow with the added business as each department head sizes up the increased business in relation to his particular part in it. In one company which estimated that its revenue would multiply three times in the next ten years, nearly every supervisor came up with a plan requiring 2½ to 3 times as many people in his area. Obviously, this is a wrong conclusion.

Again, in a larger organization it becomes of great moment that cost consciousness be maintained at more than the top echelon. It must be present at all levels if the right end result is to be obtained, but we often note that where it is a vital factor in a moderate sized group it gets lost as more and more people are involved.

Getting Cost Conscious

How do you get cost consciousness? You get it by letting people take a hand in the development of plans for doing things, by making sure that people throughout the organization are expected to and do take a hand in evaluating performance, and by letting them know what the results are. It is one manifestation of teamwork. Partly you work at it—partly you organize for it.

Your review of your larger organization plan will need to include a look at your provision for cost information—what is it, who gets it, when do they get it. Budgets, departmental expense statements, standard cost data will become more necessary. And as you require that cost control becomes a responsibility of more operating people, you will want to review the form of and the terminology used in your reports in the light of their use by operating rather than accounting personnel. It is important that the information supplied to your supervisors deal specifically with their area and that it does not include general costs which they cannot identify. Don't ask your district and division managers to become accountants—see if they need to have accounting help located alongside them, and see if you can improve the timing and the form of presentation of operating information so that it becomes more useful in the management job.

As you expand and change the physical operations, the cost factors that deserve attention will change as well. With increased numbers of line crews, it becomes more important to study their base locations to avoid excessive travel. You may consider it advisable to increase the number of stores locations or operating headquarters, but first make sure you have taken full advantage of improved communications methods and better transportation. Remember that added stores locations may improve service but will definitely add to your inventory investment. Larger fleets of vehicles may make it advisable to further study fleet costs and possibly to change your automobile and truck purchase and maintenance policies.

Technological improvements, such as those in your most modern generating stations, substantially reduce the man requirements. A station that used to require 250 men now calls for 70 or 80. Thus, you will need to review your personnel utilization—to reach for more flexibility in work assignments. The need to rotate people will make it necessary to look at your wage and salary policies, and particularly at your job evaluation situation. Do differences in division pay policies make it difficult to move men from one location to another? These are a few of the ways in which a change in the physical operation affects your analysis of the cost problem.

Another specific area to be considered is the problem of supervision. Growing organizations need better supervision. There will be a need to delegate authority and responsibility down the line and make management effective at the customer level or at the point of revenue creation. Otherwise, supervision becomes ineffective and higher costs result. Obtaining the answers you want in this area means more effective training. And the need for improvement in supervision goes right up to the top—there will be a definite need for development of executive personnel. This adds up to more attention to the personnel area, more effective use of the personnel department, improved analysis of your potential executive talent, more rotation of people in various kinds of jobs.

Your past experience will have demonstrated that growth does not mean across-the-board increase in men and equipment. The operating budgets have to be built up on a consideration of what growth means to each area. As I indicated earlier, administration should not increase proportionately. Each level of supervision and each functional area needs to be reappraised at various stages of growth. It is probable that this year is a logical time for such a move. This means that the top planning function where all of these various elements are finally pulled together becomes more and more important. And certainly this is a time to make sure that this over-all forward planning is specifically provided for in the organization plan.

Costs and Service Standards

Now there is another problem in your business that is not particularly a result of expansion, but stems from the fact that you are in a service business. As an industry you have set high standards of service. This is fundamental to your success, but it raises a specific problem of control that I believe you need to think about. As you spell out your service standards and make sure that throughout the company you continue to render good service, you may dissipate the control of costs or you may have to adopt new approaches to make sure that costs as well as service are considered when you establish service standards.

This emphasis on service affects your internal as well as your external relationships. You get used to talking about taking good care of the customer, but service tends to become the all-important aspect of the transaction. Your service standards need to be reviewed regularly to see that they are set with due regard to cost, and that they are sensibly expressed for the guidance of people who are removed from the continued and regular impact of the costs involved.

As you review the implications of these remarks against you particular situation, you might want to have in mind a few points that serve to identify the need for action. Here are some suggestions:

(1) Review your forecasts of growth over the next 10 years to see the extent of the probable effect on your management planning, and the timing of it.

(2) In the light of that forecast, take a new look at your plan of organization. Can it be readily expanded to handle the added volume of business or will it require some basic changes? Do you need to create a different divisional set-up? Is your home office group too inclined to reach into the district manager's job? Are the top people overloaded?

(3) As you visualize changes in the organization structure, will they make it more difficult to determine where the responsibility for costs lies? Will the responsibility remain too high up in the company?

(4) As you develop organization changes and visualize the broader responsibilites of many positions, will you be able to match these job requirements with adequate information on operating costs, operating and capital budgets, and departmental and functional expenses? Will it be provided promptly?

(5) Do your expansion plans take into account that the cost consciousness you are getting from a group presently working together may not be as easy to get from a larger organization, and that specific provision may have to be made for supplying it?

Your industry has maintained a fine record for meeting the demands of the markets which it serves. You have demonstrated the ability to meet many types of expansion problems. I hope that these remarks may be of some value as you appraise the somewhat different cost control problems of your next expansion period.

The Outlook for Retailing

By ALBERT COONS*

Vice-President, Allied Stores Corporation

Retailing executive points to hard sledding in his business during last few years, with biggest reduction in sales in major appliances, radio and television. Says, as regards profits, picture is mixed, but profit margins are fairly stabilized. Urges caution on suburban shopping developments, which he likens to the Florida Land Boom, but concludes "we are now coming into a period which should be a prosperous one, but one of intense competition."

Unfortunately for the average retailer, things haven't happened as forecast. People are saving a great deal—almost 8% of income — which is a peacetime record. On top of that, their expenditures for services so far in 1954 including rent, travel, education, vacations, electricity, medical care and other services, are estimated to be 7% higher than last year.

Albert Coons

So far this year, the purchases of durable goods are down 7%, and the non-durables are also down about 1%. Department store sales for the year-to-date are off about 3%. It is a general fallacy to think that when sales of hard lines decrease, sales of soft lines automatically increase. This year, we've seen tough sledding in the automobile and appliance lines concurrent with a very poor performance in textiles, hosiery and apparel. If you buy a new car this year, your family doesn't necessarily cut down on its clothing and food bill; and conversely, if you do not buy durable goods this year, you don't buy more suits, shoes, dresses or clothing for the children, regardless of your needs.

In this country, we are living in an age where the original **three** necessities of life, **food, clothing** and **shelter,** must now be increased to **five** with the inclusion of **transportation** and **communication.** As bankers, we must remember that.

Now let's take a very little peek in that forbidden crystal ball. I imagine that the conditions we have seen so far this spring are likely to continue during most of the year. Thanks to high construction, liberal plans for capital investment, unemployment benefits, and a government budget which, even after reductions, is still huge, I would expect the recession to level off. I would guess that most of the decline is past. On the other hand, I don't think that we should expect a very rapid pickup. There are still plenty of inventories around and some of these have to be worked off. The consumer seems to be holding tight to his money. Instalment credit, at long last, has stopped rising. Thus, I would guess that we would continue at about the present level of business activity until well into the Fall. Probably a general pickup should come only toward the end of this year. It may not become really noticeable until early 1955.

*An address by Mr. Coons before the Annual Convention of the Pennsylvania Bankers Association, Atlantic City, N. J., May 24, 1954.

Prospects in Retailing

Against this background, let's see how conditions look in the retail industry. First, as regards sales, we expect that the trend should continue about on the present level throughout the year. For department stores this will mean we will show a fairly high sales loss in the period May through August, when sales last year were very good, but we should be able to come closer to last year's figures during the Fall. For the year, I would guess that department store sales generally should be down 3% to 4%. For the Fall season, even a 5% drop might be seen. I hope Allied can do a little better than this, although the Pennsylvania stores might do even slightly less.

Department store inventories are still a bit high, although, allowing for seasonal changes, they are down somewhat compared to last summer. Much of the excess represents investment in wider assortments in many of the traditionally slow turning departments such as furniture, men's clothing and shoes. In retailing, I am afraid that inventories-to-sales ratios are still as high as last year, and in many instances even higher. Consequently, turn-over is slightly lower. These excesses are rather hard to work out without substantial markdowns. Since the price structure seems to be rather solid, my hunch is that these markdowns will not be taken and that stocks will decline very slightly during the balance of the year. Prices in our markets, as mentioned above, seem to be very stable. According to our own listing of wholesale prices in department store merchandise, prices today average only 2% above pre-Korea, although they are 2% lower than a year ago. At such a reasonable level, any real break in prices is most unlikely and, if anything, some prices may become firmer later in the year.

Loss in Major Appliance Sales

Sales trends in our business are quite interesting. The biggest losses have been in major appliances, radio and television, where we are encountering markets which, in most cases, are rather well saturated. Television as a whole has been doing fairly well, but this is largely due to the opening of new stations in new markets. On the other hand, many of the home furnishings have been doing very well. Furniture, floor coverings and miscellaneous home furnishings are running close to last year's figures and, in some cases, ahead. Textile departments, particularly cottons, towels, sheets and blankets, have shown plusses, although silks, woolens and rayons continue weak. Apparel so far has been disappointing. Even allowing for the late Easter, dollar sales are running 3% or 4% behind last year. So far, sportswear and men's furnishings are the real bright spots. Probably the apparel business should improve, but we are going to have to work at it, and there may be higher than normal mark-downs.

Number of Transactions

One other point that should be mentioned is the physical volume of sales versus dollar volume. Watch the number of transactions as well as the amount of dollar sales.

Manufacturers produce things, not dollars.

Consumers buy things, not dollars.

Production facilities in this country, being tremendous, may be making surpluses of goods even though dollar sales may not increase. Dollar sales may be satisfactory even though we may be producing more physical units than we can digest; thereby creating another inventory problem. Therefore, watch the factor of physical volume and unit transactions as well as dollar sales.

The picture as regards profits is mixed. Gross margin is running a little higher than last year, as are expenses. Operating profits before taxes for the average store probably are slightly lower than last year.

There are signs that the profit picture in a department store should be pretty well stabilized. Profits have been adversely affected in recent years by the continued rise in expenses, on the one hand, and by the difficulty of increasing gross margins. Now there are signs on the horizon that the advance of operating expenses can be slowed. At the same time, as we are again in a really competitive market, retailers have encountered considerable success in getting manufacturers to reinstate certain wholesale price lines and discounts which allow a reasonably good markup. The chances are that, during the next two years, the spread between gross margin and expenses can be maintained on about the 1953 basis.

Retailing from Banker's Viewpoint

Now let me take a few minutes to discuss retailing from the banker's viewpoint. I am sure everyone here has a fair number of loans to retailers and is considering others. Let's consider two key questions. First is the matter of suburban or outlying stores and new shopping centers versus downtown. With the tremendous development in suburban housing, the main movement of retailing, at least in the larger cities, also is in that direction. I think that when you are advising a retailer or considering a loan on a suburban location, several points should be kept in mind. First is the basic strength of the downtown district and also, of course, the stake that bankers and property owners must have in this district. In most cities, suburbs tend to spread out in several directions around the downtown area, rather than grow in a single direction. The result is that it is very difficult, if not impossible, for any single suburban center to tap more than part of the population in a city. Consequently, it is unlikely that cities of less than 150,000 can support outlying shopping centers with large department store and specialty store units (food markets excluded).

There is reason for caution on suburban developments, even in cities of up to 500,000. Only in the very largest cities are the opportunities for the large scale suburban stores and shopping centers very bright. Even these should be taken with a grain of salt. Real estate men have made more than optimistic forecasts of the sales individual stores or developments may expect. We have frequently found that our own estimates of potential first year sales have been half or even a third of the figures offered by the real estate promoters. I do not intend to suggest that there are not tremendous opportunities for well-located, well managed shopping centers and suburban stores in the larger metropolitan areas. Moreover, the trend to the suburban stores may adversely affect weaker downtown stores in such large cities.

But new stores are being built at such a rapid rate, that even the home production lines which account for the increase of 2,500,000 population per year, cannot keep up with the pace set by the promoters.

But let us not lose our heads completely about this shift from the cities to suburbia, unless you believe in miracles.

A great many, if not all, of the men in this room remember the Florida land boom. Once it got started, people became so wild that predictions were made that almost everyone was going to live there because of the delightful climate and the great opportunities that existed there.

The United States, being a country of extremes and fads, and containing more than the average number of high-powered promoters, speculators, and suckers, went for the newly discovered land of Eternal Youth and Winter Sunshine in a big way. You all know what happened. There was a sound basis for some development down there, but as often happens, it was tremendously overdone as to time, extent and degree. Consequently, huge fortunes were lost and thousands of people were sadder and wiser within a short time thereafter, even though eventually Florida grew into and justified the (quick) over-development of the 1920's.

I suspect there might be an analogy between the Florida land boom and the premature badly conceived and over-developed suburban shopping area, especially in our smaller cities. As bankers, I am presumptuous enough to caution you about backing such promotions unless you know the answers, in advance, to a lot of questions, based on surveys, factual information and common sense.

Already many of these "bonanzas" are in trouble. I know of many flops and disappointments to the owners, to the lenders, to the borrowers, and especially to the lessees who were either oversold, or were too eager to be a jump ahead of competition.

Here are two amusing, although serious, situations in two suburban shopping centers:

(1) A very large one where so much parking space is provided that folks who park on the outside perimeter complain that the walking distance is too great to the stores in the center.

(2) A relatively small shopping area outside a smaller city that cannot get bus lines to service the center with public transportation facilities; so only car owners can come to the center to shop. Plenty of room, but not enough shoppers.

Both of these centers are in trouble. Some stores are empty already, others are losing money, and in one case all equity money in the entire project has been or is about to be lost.

Strangely enough, the name "Miracle Mile" has been adopted for a great many shopping centers throughout the country. Of course, the original one in Los Angeles was properly named. However, if you don't believe in Miracles, be extremely careful about placing your bets, because in my book it will be a miracle indeed if the owner, the lessors, the lessees and even the bankers make any money out of a large proportion of the shopping centers now being promoted throughout the country.

And P.S.—Perhaps some of this philosophy or warning may, very modestly, be applied to branch banks to be opened in these centers.

Another point is that the parking problem has been exaggerated in many of the smaller cities. The downtown merchants and the city governments have been doing quite an aggressive job of improving parking facilities. This is a move which should be encouraged by anyone who has a stake in downtown real estate. In line with the importance of the downtown store, I think that you should recognize the need for their modernization. Many times

you will encounter the problem of a store which is facing the choice of opening a suburban branch or modernizing a downtown unit. When a store has such a large stake in a downtown unit, I do not think the decision for the branch should be at the expense of maintaining the downtown store. Each investment should be considered on its own merits.

The other point that I would like to stress is that when you are considering a loan to retailers you remember that this is a very personal business. Overall figures can be actually misleading. What counts, for example, in an inventory, is its actual physical composition and also its age. Ready-to-wear and fashion items may represent a risk if they are even two months old, which is certainly not the case for men's clothing or furniture. When considering making a loan, bankers had better be sure to get an age analysis of that item of current assets of a balance sheet, known as inventory. There is probably a great surplus of unsalable, over-age merchandise in this kind of a market which affects the final selling price, regardless of cost or cost of production.

Also, because of the addition of thousands of new available items made possible by man-made fibres and plastics, and ever increasing style and color elements introduced into so-called staple lines (sheets and pillow cases, for example) the problem of obsolescence, markdowns and turnover becomes greater and greater.

Even more important than the inventory is the ability of the retailer, himself, and of his organization. Someone who knows the business, who has a flare for it and the willingness to work hard, can be counted upon to make a profit and overcome even the most severe handicaps. On the other hand, even the best location and financial status cannot long support a retailer who cannot do his job.

We are now coming into a period which should be a prosperous one, but one of intense competition. The importance of retailing and distribution will rise. I think you will find it worth your while to study the retail situation in your town and find out the stores and people who are promising, and help them do a job for you, themselves and your community.

Joseph M. Kelly With Starkweather & Co.

Joseph M. Kelly has become associated with Starkweather & Co., 111 Broadway, New York City,

Joseph M. Kelly

members of the New York Stock Exchange. Mr. Kelly will be in the firm's trading department, which specializes in public utilities, natural gas stocks, and industrials. Mr. Kelly was previously with Burnham & Co. and prior thereto was assistant manager of the trading department for J. Arthur Warner & Co. He is an active member of Security Traders Association of New York.

With Slayton Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Roy L. Beckley has become connected with Slayton & Co., Inc., 403 Olive St.

Consumer Credit and Prosperity

By DONALD A. FERGUSSON*

Associate Professor of Finance, Syracuse University

Dr. Fergusson, in maintaining consumer credit has played an essential part in producing a high living standard in U. S., and the consumer credit industry has had a creditable part in this performance, contrasts output and sale of durable goods, produced under low cost mass production in this country, and in foreign nations. Says consumer credit industry will continue to be an accepted and necessary part of our productive and distributive system. Offers estimates of future consumer expenditures based on the "Survey of Consumer Finances."

As background to a discussion of the importance of Consumer Credit to continuing prosperity, it is necessary to say something about our present economic position and the role that consumption may be expected to play in the near-term future.

Donald Fergusson

We are presently engaged in a transition from the war and preparedness period of 1951-1953, a period which deserves to be referred to as the outstanding "guns and butter" period in history. For during that period there was not only an extraordinary build-up of military strength and of our basic industrial productive facilities but American consumers were also supplied with goods and services in such quantities as to constitute the highest standard of living ever realized. At the same time, large contributions of materials were being made to foreign countries. Finally, very substantial accumulations of inventories had also piled up by the fourth quarter of 1953.

Thus, as a result of our tremendous productivity, not only have military and industrial preparedness been largely completed (barring new and bigger war scares) but consumers' needs for housing, automobiles and other consumer durables have been satisfied to the point where demand has fallen off somewhat. As a consequence, consumer credit outstanding, which had reached its highest peak at the end of 1953, has now been declining steadily for several months.

The new economy toward which we are now ostensibly moving has been designated a high consumption economy to replace the previously described high-production economy. This idea has been given expression in the President's Economic Report of January 28, in these terms: "Our approach to a position of military preparedness now makes it possible for the U. S. to turn more of its attention to a sustained improvement of national living standards." Thus consumer spending is now expected to play an even more important part than previously in maintaining the level of national income and employment.

Important Expenditures on Consumption

Let's pause for a moment to consider how important expenditures on consumption have been among total money expenditures during recent years. The statistics indicate that they have constituted about two-thirds of total expenditures on Gross National Product during the years 1948-53; whereas Investment and Government expenditures together have made up the remaining one-third, approximately equally divided.

It is thus apparent:

(1) that consumer expenditures are by far the largest component of total money expenditures on currently produced goods and services which, of course, determine the level of national income and employment in the U. S.; and

(2) that even a relatively small percentage change in the level of consumption expenditures will have a significant effect on the level of total money expenditures.

Until quite recently, it is true, most of the "new" economists have stressed the stabilizing influence of consumer expenditures upon the economy. You may recall, for example, that Keynes and his followers maintained that the propensity to consume was not subject to short-run fluctuations, that the level of consumer spending depended almost entirely upon the level of disposable income, assuming a given distribution of that income. As a result, the Keynesian panacea for maintaining the level of total money expenditures — and thus of national income and employment—was through operations designed to influence the level of the much more volatile investment component of total expenditures.

Recently much more consideration has been given to the possible de-stabilizing influence of consumer spending. It has been pointed out that consumer expenditures—especially in the area of durable goods, the purchase of which is readily postponable—are subject to sharp short-run fluctuations. These fluctuations may occur for reasons independent of the current level of income. Expectations with regard to future incomes, attitudes with respect to current prices expectations about future price movements and about future business conditions are all factors which affect consumers' decisions to spend or not spend. This changed attitude is also given expression in the President's "Economic Report:"

"In our high income economy, many millions of consumers may, on the one hand, spend more than their income by drawing down savings or going into debt, or, on the other hand, spend appreciably less than their income and still live well. This volatility of consumer markets is, however, a short-run phenomenon."

The statistics on consumer spending and saving during the post-war period indicate that fluctuations in this component of total expenditures have actually been substantial from year to year and even from quarter to quarter. Thus consumer spending fluctuations may in themselves at times be a cause of some instability in our economy.

It is interesting to observe that, as already mentioned, an increase in consumer spending is now looked upon in many quarters as the answer to the problem of maintaining high-level prosperity. This increase is expected to be sufficient not only to provide for growth of the economy but also to offset current and expected declines in government expenditures and in investment expenditures during 1954 and subsequent years and thus prevent our economy from continuing and accentuating its downward course.

As a matter of fact, as the President's Report points out, "in

Continued on page 56

*An address by Dr. Fergusson before the New York State Consumer Finance Association, New York City, May 19, 1954.

Macdonald President of N. Y. Bond Club

R. H. Macdonald

G. H. Walker, Jr.

Joseph Ludin

Ranald H. Macdonald of Dominick & Dominick has been elected President of The Bond Club of New York for the coming year to succeed Wright Duryea of Glore, Forgan & Co. The election took place at the Club's annual meeting held in connection with the Bond Club Field Day at Sleepy Hollow Country Club, Scarborough, N. Y.

G. H. Walker, Jr. of G. H. Walker & Co. was elected Vice-President to succeed Mr. Macdonald. Joseph Ludin of Dillon, Read & Co. Inc. was elected Secretary and Ernest W. Borkland, Jr., of Tucker, Anthony & Co. was named Treasurer.

Three new members of the Board of Governors were elected for three-year terms—Harold H. Cook of Spencer Trask & Co., John W. Dayton, Jr. of Clark, Dodge & Co. and Wickliffe Shreve of Hayden, Stone & Co.

Winners in the golf tournament were:

Ex-President's Cup for Low Gross—Frederick L. Ehrman, Lehman Brothers, and V. Theodore Low, Bear, Stearns & Co.—74.

Candee Cup for Low Net: G. A. Alexisson, Granbery, Marache & Co., and Robert W. Fisher, Blyth & Co., Inc.—78-15-63.

Christie Cup for Match Play against Par: Robert E. Clark, Calvin Bullock, and Howard K. Halligan, C. J. Lawrence & Sons.

Finalists in the tennis tournament were John Wasserman, Asiel & Co., and David Evans, Blyth & Co., Inc., with Gilbert Wehman, White, Weld & Co., and Leonard Frisbie, Frisbie & Co., semi-finalists.

Other winners in the special event were William L. Moise, Blyth & Co., Inc.; Donald G. Nightingale, Halsey, Stuart & Co.; Richard C. Noel, Van Alstyne, Noel & Co.; George T. Flynn, Hornblower & Weeks; and Randolph P. Compton, Kidder, Peabody & Co.

Is Aid to Underdeveloped Countries in Our Own Interest?

By BENJAMIN J. BUTTENWIESER*
Limited Partner, Kuhn, Loeb & Co., New York City

Mr. Buttenwieser, maintaining aid to underdeveloped countries as well as to those with matured economies is equally important, asserts it is fully justified in strategic, political economic, social and moral terms. Suggests several billions annually are needed to fill the need for capital in India and Southeast Asia.

The paramount consideration underlying the policy—domestic or foreign—of any country should be its security and its welfare. These two, in their overall concept, must take primacy over every other factor motivating the short or long range program of any country.

Benj. J. Buttenwieser

The security and welfare of our country, like that of any other, must be gauged in (1) strategic; (2) political; (3) economic; (4) social; and (5) moral terms. Predicated on each of these five bases, I think it can be readily demonstrated that aid to underdeveloped countries is in our own, enlightened self-interest.

First, let us clarify what is involved in this foreign aid, both from the viewpoint of its purpose and its magnitude.

The total foreign aid our country has extended, since it has been in a position to render such aid, is far too broad a subject to cover adequately within the relatively narrow confines of our discussion this afternoon, unless it is confined to a certain period. Consequently, with your permission, let us focus our attention **on only the period since the end of World War II.**

U. S. foreign aid in this postwar era has, in the main, been extended under the following categories:

(1) UNRRA (United Nations Relief and Rehabilitation Administration)

(2) GARIOA (Government and Relief in Occupied Areas — primarily Germany and Japan)

(3) Marshall Plan

(4) UNETAP (United Nations Expanded Technical Assistance Program)

(5) WHO (World Health Organization)

(6) TCA (Technical Cooperation Administration)

(7) MSA (Mutual Security Agency)

(8) FOA (Foreign Operations Administration)

The very names of these agencies and the common knowledge of their programs render superfluous any elucidation of the purpose or extent of aid they rendered.

Now as to the measure of this aid: — According to the Randall Report, (p. 10), "From the end of the war (World War II) through June 1953, U. S. expenditures in the form of grants and loans to other countries amounted to $41,700,000,000 . . . (net). Of this, $33,000,000,000 was economic aid and $8,700,000,000 was military aid. . . . In addition, on June 30, 1953, $7,900,000,000 of mutual security funds had been obligated but not spent. . . . A further $7,300,000,000 has been made available for all purposes for fiscal 1954, of which $5,300,000,000, or 73%, is military aid, and $2,000,000,000, or 27%, is economic aid."

For fiscal 1955, $3,497,000,000 was requested, of which

- $1,580,000,000 is for Mutual Defense Assistance.
- $945,000,000 is for Direct Forces Support.
- $223,400,000 is for Mutual Defense Support.
- $131,600,000 is for Technical Cooperation.
- $306,400,000 is for Development Assistance.
- $241,300,000 is for Relief and Rehabilitation, and
- $70,000,000 is for other programs.

I am citing these many figures in such detail not for the purpose of boring you, but to show that, huge as the sum is overall, the amount for actual aid to underdeveloped countries is relatively small. I will revert to this in due course.

Both Categories of Aid Equally Important

While I realize that today's discussion of our foreign aid is directed to that portion extended to "Underdeveloped Countries," I have, nonetheless, cited all of the above expenditures. The major portion was to countries which surely are not in that category. However, the considerations I will subsequently endeavor to adduce, as demonstrating that this aid is in our own self-interest, will, I think, apply equally to matured or underdeveloped countries. In other words, buttressing a country against the storms of economic stress is, from a pragmatic standpoint, not dissimilar from helping to build up an underdeveloped country. Let me reiterate, so far as our own self-interest is concerned, the results of such help are completely parallel.

By way of substantiating my own evaluation of this very sizable aid to countries of matured economic development, as well as those which are undeveloped, I would cite the following cogent observation from the Randall Report (p. 10):

"Had such aid not been given, friendly countries would have been forced to restrict their purchases of American goods and services to such a degree that economic and political chaos might well have ensued abroad. With the additional resources which American aid placed at their disposal, they were able to maintain politically tolerable levels of consumption; to carry out programs of reconstruction and development needed to restore their overall levels of production, and gradually to reduce their dependence on our assistance; and after June, 1950 to speed up their rearmament programs in the interests of the common defense of the free world."

I think this very objective appraisal of our foreign aid is eloquent testimony toward establishing how vastly we would be deluding ourselves if we naively believed that it is completely altruistic. As to the more specific aid to underdeveloped countries, the very language quoted below from the legislative basis of "Point 4" aid clearly reflects its genuine purpose:

"It is declared to be the policy of the U. S. to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power." (p. 270 of "Shirt-Sleeve Diplomacy.")

Couple this with the following further quotation from the Randall Report (p. 43) and I think you will find, clearly revealed, the major motivation of our foreign aid, whether it be to underdeveloped countries or those with matured economies:

"Since the beginning of World War II, the United States has become a consumer of more raw materials than it produces. This makes us dependent on materials imported from foreign sources and upon the availability, accessibility, and reasonable cost of the materials produced. This dependence will increase with growth in population, with increase in per capita consumption of end products, and with invention of new useful products to open new avenues of demand. The population factor alone will add 25% to our needs if it compounds at the rate of 1.5% annually for 15 years. Forecasts of the further additions through expansion of per capita consumption and through new invention would be guesswork; but those who review the experience of the last half century cannot weight them lightly.

"We depend on foreign sources today for over 30% of our requirements of copper, lead and zinc; over 50% of our requirements of tungsten, bauxite, and antimony; over 75% of our requirements for chrome and manganese; practically all of our nickel requirements; and all our requirements of tin, natural rubber, and jute."

Many of these raw materials come in substantial measure from underdeveloped countries. Thus, strengthening their economies is of direct, strategic value to the United States today. This is not merely presently true, but is probably of even greater importance from the long-range standpoint. With cooperative and enlightened aid, underdeveloped countries of today may well become the strategic arsenal of tomorrow, when, as envisaged in the foregoing quotation, even our country, presently rich in most raw materials, will find itself short of them. In this sense, foreign aid to underdeveloped countries is not benevolence but insurance.

Importance to Strategic Defense

From the standpoint of strategic defense values, aid to the economies of foreign countries who share our devotion to democracy, freedom and peace cannot be over-estimated. In the present cleavage between the diabolic, false creed of communism, on the one hand, and the benign, sound principles of democracy, on the other, economic improvement is, in my judgment, more potent and durable armor than the more orthodox weapons of war. Communism does not thrive among peoples whose standard of living is high or on the rise. Therefore, anything the U. S. can do toward helping to improve the lot of underdeveloped countries will play a vast and lasting role in strengthening these countries to resist the blandishments of communism.

I recognize that, in these times of armed threat from the Soviet and its satellites, adequate defense is an absolute necessity. Nonetheless, I think, we must strike a reasoned balance between funds that any country — espe-

Continued on page 54

*A talk by Mr. Buttenwieser before the League of Women Voters, New York City.

Tax Revision Bill Will Benefit Both Individuals and Business

By DAVID M. KENNEDY*
Assistant to the Secretary of the Treasury

Treasury spokesman explains aims and problems of the Administration in revising tax laws and in adjusting the tax burden to remove its irritating elements. Says on a cash basis, budget will be in balance this year, and Administration has made real progress in cutting expenditures. Denies tax revisions favor big business, and points out pending tax measure is a tax revision and not a tax reduction bill. Calls attention to the "honest money" program under an independent Federal Reserve System, and points out recent Federal Reserve action in reversing a "tight money" policy has prevented drastic deflation by making credit adequate.

I have a special interest in the power industry since my first job just out of knee pants was with the Utah Power and Light Company, Mr. Gadsby's company out in Utah. As I look among you and see the good times you have been having here, and think about what you are doing in the country, I think somtimes it was a mistake to leave the power industry, and I know it was a mistake to leave the peaceful mountains of Utah for the hubbub of Washington.

David M. Kennedy

I would like to talk to you to some extent about our aims and objectives and problems of the Treasury. It is not very difficult for me to summarize quickly the aims and objectives. I think I could say that our aim in the Treasury is of economy, our aim is lower taxes, our aim is to revise the tax burden and our tax statutes so they will get away from the things that are so irritating and difficult for us now, and we can do that better at a lower level of taxes. It is not quite as easy for me to talk to you about our problems because we seem to have so many, and I have come to the conclusion there are no easy problems at the Treasury, perhaps none in Washington.

This Administration has made real progress in cutting Government expenditures. I think the record there is very good. Substantial reductions in Government spending have been made since this Administration took office about 16 months ago. If you take the budget estimate of the previous administration for the year 1954, the fiscal year ending this June 30, our cut in expenditures is $12 billion. Now that is a sizable cut in a relatively short period of time, that takes it through the next fiscal year—$7 billion up to June 30 and $5 billion off next year.

The budget deficit was $9,400,000,000 in fiscal 1953. The deficit for the current fiscal year will be just over $3 billion, between $3 and $3½ billion—we hope. Looking forward to fiscal 1955 it is estimated at $2.9 billion. If you add to that a billion dollars of reduction in excise taxes not allowed for in the budget estimate of the present, that would push the deficit up to about $4 billion in fiscal 1955, so the direction has been changed in deficits.

Budget in Balance on a Cash Basis

If you change from an administrative budget over to the cash budget, which measures the cash flow to the economy, you find this year our budget is approximately in balance on a cash basis. Now it is only because we have been able to reduce expenditures so substantially that we can have a tax reduction such as we are having this year.

Taxes will be reduced in the current calendar year about $7,400,000,000. That includes the tax revision bill that is now before the Senate Finance Committee, which we hope to pass before long, that includes $1,400,000,000 tax reduction. The total of $7,400,000,000 includes $3 billion of individual income taxes that were reduced as of Jan. 1, it includes $1 billion of excise taxes, and it includes also the $2 billion estimate of the Excess Profits tax that was permitted to expire, and the Tax Revision Bill.

Now we haven't done too good a job in explaining this tax program to the public, or to the Congress for that matter. The Tax Revision Bill was not intended as a tax reduction bill. Our whole tax system has grown up over the years by tax increase upon tax increase, one upon the other, it has become a hodgepodge of tax legislation.

It was the year of 1876 that our whole tax structure was revised the last time, and this administration has had a team of the Treasury working for 16 months in connection with the Joint Committees of the Congress, to take the whole tax structure and see if we couldn't put it into some kind of shape.

We have had criticism that this is a Big Business administration, that the benefits are going largely to industry and not as much to individuals. I don't think you can pull out the parts that go to business and the parts that go to individuals because we are one economy, we are one family. Individuals can't prosper unless business prospers, and business can't prosper unless individuals generally are prospering.

If you take just from the total that has been given to individuals and to corporations, if you take the $3 billion in January to individuals, that billion of excise taxes will probably largely go to individuals; and then in the Tax Revision Bill there is about $800 million directly to individuals, so that of about $5 billion, $2 billion of the $7,400,000,000 will go to individuals and just over $2 billion to the corporations, and that $2 billion is largely the Excess Profits tax that was permitted to expire.

Now we feel in the Treasury that this tax reduction will help materially to push the impact on the economy in this getting back to a lower level of government expenditures. Government spending can only be cut in two ways: we have to lay someone off the Government payrolls, or else we have to reduce the supplies we purchase from industry. Those are the two ways we have of reducing Government expenditures and in either case, either directly or indirectly, it has an effect upon employment and it takes time for an adjustment in the economy or

Continued on page 56

*A talk by Mr. Kennedy before the Twenty-Second Annual Convention of the Edison Electric Institute, Atlantic City, New Jersey, June 2, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The long-awaited shakeout in the stock market came early this week but when it did show up belatedly it was far more of a stiff jolt than had been expected. Only in the climax selling on the outbreak of the Korean War in 1950 was the industrial index hit harder and for the rails it was the worst one-day blow since the bull mraket ended precipitously in 1946.

* * *

Chief mitigating factor in the selloff was that volume, while a respectable 2,540,000, was fully 150,000 less than the year's best which, incidentally, was achieved with generally higher prices. This was despite an early rush to unload that forced the tape late as much as four minutes, which was the first lag of that dimension since March 1953.

* * *

Year's Most Lopsided Market

Some impressive comparisons were built up in the onslaught. Declines in more than 900 out of the 1,240 issues traded made it the most lopsided market of the year. Although it missed by a couple being the broadest market of the year, it was only a scant dozen and a half issues short of equalling the broadest market on record. And for the first time in 1954 the 22 new lows exceeded the 16 new highs.

Predictions of technicians that resistance would come in the 325-330 level of the Dow industrials worked out almost perfectly. The senior index has been dawdling in that range for some two weeks with all the earmarks of being tired after climbing virtually without interruption for some nine months over a span of 75 points.

* * *

For those who insist on a reason for the turnabout, despite the fact that there have been few rises of such scope in history without at least an intermediate correction, the rails have to take a good share of the blame. They did succeed in pushing their 1954 peak above that of early in the year, but then faltered by some two points in any test of the 1953 and 1952 highs at the 112 level. This, while not too disturbing, certainly had generated quite a bit of caution.

* * *

From a technical viewpoint, no special damage was done to the basic pattern. On the downside there are plenty of areas where support should be encountered and from a chart viewpoint there is leeway of nearly a score of points before the list would cause concern. Opinions, as usual, are diverse with some seeing 315 as a logical limit while others concede that a retreat to as low as 295 would be "normal." In short, although surprised by the savage slashing, the theorists are far from dismayed.

* * *

Utilities, the haven when the going is rough elsewhere, lived up to their name and there was a noticeable retreat to this defense end of the list. It enabled the decline in this index to remain relatively modest. In fact, a year ago it suffered a larger decline on a more or less routine shakeout.

* * *

Blue Chips Slashed

Another of the predictions that worked out pretty much to the letter was that the blue chips that have led the way on most of the rise would bear the brunt of the reaction. Du Pont, particularly, suffered. Recently popular items gave ground to the extent of two to four points in rapid order, including Procter & Gamble, Aluminum Co., Republic Steel, the recently split Illinois Central which backed to a new low for the new stock, Kennecott Copper and Bethlehem Steel.

* * *

Texas Land, which added a dozen and a half points the previous week as the courts approved a division of the company into two units—one to take over the land holdings and the other to become an operating oil division—backed up rather abruptly from the 140 level and gave up a major share of its sudden rise. Texas Gulf Producing, another favorite in past markets, saw some four points evaporate in a matter of a couple of hours.

* * *

The reaction also ended, at least temporarily, the sudden new strength in Canadian Pacific which, for want of specific information, had been explained as being a mutual fund interest to nebulous uranium finds. The strength, however, left the issue in a price level that was far from spectacular. The 1954 high made by the issue early in the week was still below the $30 line against the $34 reached last year and the better than $40 of 1952. Unlike most of the laggard carriers, Canadian Pacific is well above its 1946 best which was a shade under $23.

* * *

A similar situation on the other end of the ladder was Ashland Oil which reacted to hazy talk that a fund was liquidating it. The issue has had trying times ever since it was split 2-for-1 in 1952. The best price reached was immediately after the split and since then it has lost roughly half its value, which isn't the usual story since the market adage is that a split issue usually fares well afterward. The stock sold at $46 when it was split. The new shares made their high posting of $23.67 shortly after, and dropped to a shade above $11 last year. The low wasn't subjected to any test by the stock, although it was far closer to that figure than to the $14.37 high it posted this year.

* * *

Diamond T Motors had an erratic time of it, what with a better-than-average performance when it became known that a $20 cash offer had been made for the 22% stock interest of its chairman at a time when the market value was approximately half that level. This spurred enough buying to push the issue to its best level since 1941. But rejection of the offer came more or less simultaneously with the general market weakness and the shares backed up with conviction. This issue could well illustrate the extreme selectivity of the market since it sold in the mid-30's price range back in the 1946 bull swing when the industrial average was some 100 points lower.

* * *

The Non-Conforming Steels

Steels illustrated a different story that also describes the novel recent markets. Far from recognizing the swings in the business cycle, the stock world lately seems to delight in running counter to the business trend and far more in tune with the gyrations of the money markets. Operations in most steel plants have recovered substantially from the under-70% of capacity level of earlier this year. Issues that were buoyant then are among the weaker now. Virtually every issue in the division was prominent on the selling side in the market turnabout. Sharon Steel was weak with more justification in view of its halved dividend but apparently this had been anticipated enough so that the initial reaction held above the year's low.

* * *

Aircrafts were no less reluctant to join the downtrend. But the few points they gave up could be well afforded after their recent gains which could properly be described as fabulous in all but a random case or two.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

N. J. Bond Club to Hold Annual Field Day

The Bond Club of New Jersey will hold its annual spring field day on Friday, June 18, at the Rock Spring Club, West Orange, New Jersey.

Activities scheduled for the day are golf, with prizes in all classes, and the 27th annual bond club trophy competition (awarded to members recording lowest net total golf score)—greens fee $3.00; horseshoes 1:30 to 5:00 p.m. with all first round matches to be finished by 3:00 p.m. — prizes for teams finishing 1st, 2nd and 3rd; darts; tennis, swimming, and horseback riding. A special event will be a golf exhibition by the famous one armed trick shot artist, Jim Nichols.

Luncheon will be served from 11:30 a.m. to 2:30 p.m.; snack bar will be open on the terrace at 4 p.m., and dinner will be served from 6:30 p.m. to 8:30 p.m.

Members of the Field Day Committee are: Andrew C. Spring, Outwater & Wells, Jersey City, N. J., Chairman; Philip P. Arnheiter, Adams & Hinckley, Newark; Archie C. Barbata, Bank of Nutley, N. J.; S. Jervis Brinton, Jr., National Newark & Essex Banking Co., Newark; Frank Cole, F. R. Cole & Co., Newark; Henry Hegel, Federal Trust Co., Newark; Donald E. Lane, Merrill Lynch, Pierce, Fenner & Beane, Newark; Harry I. Miller, Nubent & Igoe, East Orange, N. J.; Foy Porter, Estabrook & Co., New York City; James Ransom, Harris Trust & Savings Bank, New York City; Norton Rogers, Adams & Hinckley, Newark; H. Peter Schaub, Jr., Harry P. Schaub, Inc., Newark; Walter Stohl, Fidelity Union Trust Company, Newark; Jerome C. L. Tripp, Tripp & Co., Inc., New York; Stanton F. Weissenborn, Estabrook & Co., New York.

F. C. Sloan Joins Blair, Rollins Co.

Blair, Rollins & Co., Inc., 44 Wall Street, New York City, announce that Fred C. Sloan is now associated with the firm in their Municipal Bond Department. Mr. Sloan was formerly with Coffin & Burr, Incorporated.

Taussig, Day Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Theodore Lrenz has been added to the staff of Taussig, Day & Co., Inc., 509 Olive Street, Members of the Midwest Stock Exchange.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John E. Brick is now with Goodbody & Co., Penobscot Building.

We Can Develop Peacetime Atomic Power

By ROBERT LeBARON*
Assistant to Secretary of Defense (Atomic Energy)
Chairman to Military Liaison Committee to AEC

Defense Atomic Energy expert, asserting we can now produce atomic energy for peacetime purposes without interfering with the defense program, reveals advances in bringing cheap nuclear power toward industrial uses. Lists advantages in applying atomic energy both in transportation and in stationary power plants. Stresses these developments can be applied as weapons of war as well as of peace, and looks for this new power source to meet growing needs of a power-hungry world. Presents a blueprint of the atomic energy program. Says sufficient uranium ore is available.

I

My purpose in coming here this morning is to tell you something about the military and the peacetime atom. The development of peacetime power and progress in the entire atomic field are of vital interest to our country.

Robert LeBaron

The time has come when we can have more than one customer for the atom. Today that single customer is the military. There are people who say we cannot have atomic weapons and peacetime power at the same time. There are some people who believe that we do not have enough nuclear scientists. Everyone feels that we need more uranium. But we are far enough along in our atomic program to develop weapons and peacetime power at the same time.

Atomic weapons are a small operation after the uranium isotopes and plutonium are available. The production is essentially the same whether the uranium is made into weapons or is used in peacetime power. We have large production plants that will continue to expand. They are growing rapidly. Our military requirements for atomic weapons will also continue to expand. They, too, are growing rapidly. There is little hope of reaching a "saturation stockpile" in these uncertain times. Our only practical course is to continue the large expansion now under way at top priority.

Only a small amount of fissionable material is used in our power reactors. Our supply of atomic weapons is not compromised by the demands of these reactors. This fact was not true in the beginning. It is true today.

The building of civilian atomic power plants will not impair the supply or production of atomic weapons. They are not rivals.

Fuel costs for atomic heat will steadily decrease. The cost of building new reactors will decrease. Both these activities can be carried on without interference with the weapons program.

As our stockpile of fissionable material grows, our reactor engineers have increased freedom of design. The atomic fuel which we use in these power plants does not need to be expensive. In our first reactor designs, it was necessary to use a sizable amount of expensive fissionable material in order to develop the combustion of the cheaper garden-variety uranium. Now that we have learned more about the technology of reactors, we find ways in which we can use more of the cheaper material and less of the expensive material. Soon, we will reach a stage where the use of the expensive material is somewhat analogous to that of lighting a match to start a roaring wood fire.

Our future hopes are stimulated by the very attractive possibility that the day will come when the atomic fire creates more expensive fuel than it burns of the inexpensive fuel. Thus we face the possibility of converting a cheap material into an expensive material and producing a large amount of useful heat in the process. Technically, we call this the "breeding" process.

II

There are important advantages in developing both the weapons and the power programs at the same time. We have gained important new striking power for our Navy submarines. Nuclear power is bringing important advances in merchant-ship propulsion. Today, small nuclear power plants in remote military locations are economical where the transportation of coal or oil is difficult. In time of war these plants could continue to perform when transportation facilities for coal or oil are not available.

Atomic-powered airplanes will greatly extend our air supremacy. These developments may be some time off, but they are real and can emerge within the next decade or sooner. The implications of nuclear air power are many and far-reaching. Stationary atomic power plants can speed up our government plans for decentralization of key industries—a "must" in our hydrogen age. Mobile military atomic power plants can provide simpler transportation and service of supply to land armies.

The advantages to our country from all these operations will be substantial as they become available. In time of total war all of these activities will be vital. They are also weapons of war.

We are witnessing the birth of a new basic commodity industry. Its present customers are the military services. They use its output to fabricate weapons and to build nuclear propulsion systems for national defense. Among its customers are also hospitals and research laboratories. They use its by-products for medical and industrial research.

The electric power industry is naturally one of its best sales prospects. Who among us here today can see where this nuclear power future may go? The standard of living is directly related to the consumption of electricity. As this new power source becomes available to serve the growing kilowatt needs of a power-hungry world, who can predict what these new labor-saving machines will do for the comfort and dignity of the people of the world. These atomic weapons of peace will surely outstrip the atomic weapons of war — once our military atomic shield has provided adequate peace insurance in a troubled world.

III

One of the questions is how this industry will grow. What will be its pattern of growth? What yardsticks are available to indicate where and how we may expect future developments?

Gazing at our "crystal ball" helps us to orient our own thinking about the future. Out of this inductive reasoning we draw personal road maps indicating where key-break-throughs are likely to come, and which will guide us to the super-highways of the future.

We know that we cannot predict the future—and especially the atomic future. At the same time we must continue to draw these mental blueprints even if we destroy them a few weeks later in favor of new ones. We learn something in the process.

This morning I would like to present such a blueprint. The basic operation involved in this new field is the manufacture of neutrons. This basic operation is concerned with the development and processing of materials which can be used as a source of neutrons. It is also concerned with the development of new materials which can be converted into more valuable atomic materials through the process of neutron absorption. The alchemist's dream of the Middle Ages in transmuting lead into gold is now on the verge of becoming an everyday reality. The modern version is the transmutation of garden-variety uranium to plutonium, an operation which makes the alchemist's gold look like small potatoes even with our inflated 1954 dollars. All of the activities which are involved in this new field, in the last analysis, come back to the production and use of these tiny neutron particles.

Some of these new materials are known. Uranium and thorium

Continued on page 50

*An address by Mr. LeBaron before the Edison Electric Institute Convention, Atlantic City, N. J., June 3, 1954.

Electronics—A Future Without Fear

By W. V. O'BRIEN*
Vice-President, General Electric Company

Predicting electrical equipment industry in next decade will do more business than in last 75 years, Mr. O'Brien lists a number of new electrical devices. Stresses increasing use of the heat pump, and forecasts its use by half million homes by 1964. Looks for vastly expanded use of electric power by modern industry and in homes, but holds this can come about only through continued intensive sales and promotion efforts.

Today there is a noisy controversy that is testing the confidence of the American businessman. It is this matter of whether our high-flying economy has run out of gas and is coming in for a forced landing. Fear of the economic future has become quite stylish in some quarters, and the "dim view" is being worn this fiscal season.


W. V. O'Brien

If this fearful outlook has gained wide acceptance, then my remarks to you today will be completely out of style. For I am going to outline a future without fear—a future that rings with confidence. Specifically, I am going to speak of the electrical future.

First—and before I am accused of a "Pollyanna" approach to a stern reality—I shall concede that there are indeed roadblocks and obstacles ahead, even in the electrical future. But they are not so formidable. We can evaluate them without panic; we can plot our course through them. As of today, the electrical industry has 75 years of experience in dealing with crisis and cycles, roadblocks and ruts — and we shall draw heavily on that collective experience in the years ahead. We have the heritage, the men, the inspiration, and the tools to meet all obstacles head-on, completely confident of the outcome. It is against this background of confidence in the electrical future that I should like to evaluate the potential of the electric utility industry.

There can be no doubt about the qualifications of my predecessors on this panel as they spoke about their business, the electric utility industry. Now, I should like to present my credentials to discuss this subject from an electrical manufacturer's point of view. While we are not a member of the immediate electric utility family, certainly we enjoy the status of a first cousin. Our industries have a common ancestry, we grew up together, and we have developed a close interdependence that is not uncommon in large families. It is because of this close relationship that both of our industries have grown and prospered in the past, and will continue to thrive in the future. Let me give you just one index of this interdependence, using my own company as an example.

General Electric Enlarging Plant Facilities

In 1953 alone, the General Electric Company invested $141 million in new and enlarged production facilities, representing a continuation of its $1,100,000,000 ten-year post-war expansion and modernization program. Again, as part of this continuing program, General Electric will invest another $175 million during the current year. These capital expenditures, financed out of earnings, are based squarely upon a studied analysis of the expanding requirements and capabilities of the electric utility industry. With commitments of this magnitude, you can be assured that the electric utility industry's potential has been studied with more than academic curiosity, and that the General Electric Company confidently expects an equitable return on its shareowners' capital investment. But the realization of this goal depends, to a large degree, upon the performance of the utilities; our financial as well as our electrical futures are inseparably linked. Because of our knowledge of this industry, we, as manufacturers, have every confidence in the outcome.

Today, I would have you share our confidence in the electric utility industry, and I propose that you come by it through the same means—through knowledge of utilities' capabilities, as seen from the manufacturer's vantage point.

A logical starting point would be to define the relationship of the manufacturer to the industry a little more sharply. Consider that the manufacturer produces the utilization equipment—the refrigerators and ranges, motors and mixers—which creates an increasing demand for the electric utility's services, or load as it is called. Then, to assist the utility in meeting this growing load, the manufacturer must be able to supply the electric generation, transmission, and distribution equipment in the right quantities and at the right time to meet expanding system requirements. Here is the other side of the interdependence coin. The degree to which the manufacturer performs in these two areas of producing utilization equipment and systems apparatus, to that degree is the capability of the electric utilities determined.

Prospects for Increasing Electrical Load

Let's look at the first of these two areas—the prospects of increasing electrical load through the expanded use of utilization equipment in the home, in the community, on the farm, and in industry.

Projecting those home appliances which are in use today gives a good index to what lies ahead in terms of load growth for the utilties. In the next ten years, we confidently expect that refrigerators will approach a 100% saturation, rising from today's 90%. Home freezer installations will triple; ranges and electric water heaters will almost double; clothes dryers will jump almost five times over today's level; and very significantly, room air conditioners will increase 11 times. By 1964, we look forward to 66 million home television receivers in operation, 44 million of which will be color sets using almost twice as much electric power per receiver. Within the decade, the growth of these and all other well-established home appliances will multiply more than 2½ times the total kilowatt-hours used by such appliances today.

Significant though this increase is, it does not take into account those newly introduced appliances which will play an important role in the electrical future. For example, there is the heat pump, a newcomer in the appliance field, for which there are great expectations. In case you are not acquainted with this appliance, the heat pump is a combination home heating and cooling unit whose only fuel is electric power. It will heat a home in winter by withdrawing heat from the outside air, the soil, or water below ground: it will cool the same home in summer by the reverse process of expelling the heat to the outside. Today, this unit is installed in only a few thousand dwellings, mostly in the Southern states. But with mass production techniques and greatly improved technical advances already under way, it is anticipated that the heat pump will, in the near future, rival the cost of any other means of home heating, anywhere. So much so, that we are forecasting that over a half-million homes will be equipped with heat pumps by 1964. This will mean that the power consumption of this one appliance will skyrocket from today's 40 million kilowatt-hours to 6 billion kilowatt-hours in ten short years. If these confident predictions come true, the heat pump will be, in terms of power consumption, the fastest growing appliance ever to be introduced to the electrical industry.

New Home Electrical Appliances

In addition to the established appliances of today and the newcomers already on the market there is still another category of home appliances which will create new loads for the utilities in the decade ahead. I refer to those appliances which are today still in the development stage. Here are just a few which are envisioned in the near future:

(1) An electric incinerator that will dispose of trash as well as waste food, and will even sanitize cans and bottles.

(2) A television screen that can be hung like pictures on the wall, connected only by a thin wire to the television receiver.

(3) An electronic device for thawing frozen foods very quickly.

(4) Still another electronic device for cooking foods in a matter of seconds.

There are many other such products, of course. But these few examples serve to illustrate new and expanding uses for electric power that will come from a continuous pattern of product development.

The total effect of all these appliances—both established and new—can be expressed by a rather dramatic statistic. By 1964, the average electric home will have $5,000 of the kind of products sold by General Electric. Today, the average household investment is $1,300. Certainly, here is strong testimony to a bright, electrified future.

A companion piece to the electrified home of the future will be an electrified industry. And herein lies another area of tremendous load growth for the electric utility. An upward swing in this area can be predicated on something as non-electrical as statistics from the Bureau of Census. During the next ten years, it is forecast that our national population will increase some 14%, creating by weight of sheer numbers tremendous demands for goods and services. However, it is also forecast that our labor force will increase at a rate substantially lower than the population during this same period. To answer the riddle of more production with less labor, industry today has developed the concept of "cybernetics" or "automation," as it is sometimes called. These rather fancy words simply refer to the step-by-step improvement of manufacturing operations toward the goal of continuous automatic production; realistically, this is the progressive mechanization of industry. As this concept takes on momentum in the years ahead, there will be required a vast range of electrical equipment which, by the way, will not have to be invented. As of this moment, we have photo-electric cells that see, microphones that hear, gas detectors that taste, and controls that can remember, compare, and compute. Simply add these devices to the intricate machinery of modern industry, and a long step toward the automatic factory will have been taken. This step, needless to say, will be an electrical step in the forward march of mechanization. And it is a step that once again leads to the electric utility industry.

Factors in Expanding Use of Electric Power

In addition to this general trend, there are specific areas in modern industry where large blocks of power are going to be required. Here are a few carefully computed forecasts for representative basic industries:

(1) The increased use of paper in the next decade will raise the electrical consumption of the paper industry 100%. This is particularly significant when you consider that the paper industry is the third largest user of electric power in the nation.

(2) Closely related to the paper industry, the printing industry will increase its power consumption by 25% in the coming decade.

(3) The rubber industry alone will account for an estimated 6 billion kilowatt-hours by 1964. The expanded use of electric heating processes will account for a good share of this increased load.

(4) Despite today's slump, forecasters confidently look forward to a 300% increase in the production of synthetic textiles in the next 10 years. This industry is another large user of electric power in its processing.

(5) As high grade ores become depleted in the next 10 years, an extensive program of beneficiation is contemplated. For example, the depleting high-grade iron ores of today can be mined and washed using 2 to 4 kilowatt-hours per ton. To use the available low-grade taconite iron ores in the future, however, will require 70 to 80 kilowatt-hours per ton.

Similar projections could be made across the entire range of industry, and the pattern of continued electrical growth would prevail. Again, here is another index to an expanding electrical future in which the electric utility industry will play a key role.

In presenting these growth projections, you might infer from my remarks that there is a certain inevitability or fatalism surrounding the electrical industry. On the contrary. The increased use of electric power — whether in the home, on the farm, in the community, or in industry—will not be an automatic, inevitable process. These forecasts and projections will become realities only if our customers are persuaded to live and work electrically. This will call for the continued, intensive sales and promotion efforts which the electric utilities and electrical manufacturers have conducted co-operatively in the past. The high degree of present-day electrification testifies to the effectiveness of past efforts in load-building and product promotion. Our projections reflect an in-

*An address by Mr. O'Brien before the National Federation of Financial Analysts, Chicago, Ill., May 19, 1954.

tensification of these co-operative efforts as we enter the electrical future.

Potential Growth of Electric Utility Industry

So much for the utilization equipment and its effect in building load. Now, let us look very briefly at our second general area which can determine the potential growth of the electric utility industry, namely, the ability of the manufacturer to supply the power equipment at the right time and in the right quantity to serve the electric utility's system. In other words, can power of the magnitude anticipated be generated, transmitted, and distributed with today's technology? Specifically, can the loads of the future be served by the electric utilities?

First, let us look at the power generation equipment—and I shall not go into technical details. Since World War II, the average size of large steam turbine-generator purchases has increased from approximately 50,000 kilowatts to 125,000 kilowatts—five times. Today, we are building units as large as 250,000 kilowatts whenever they are required to handle large blocks of power. And in the years ahead, we envision that nuclear energy will play a significant role in power generation when it becomes economically justifiable to do so.

As far as transmitting higher blocks of power is concerned, systems engineering and equipment will also keep pace. Today, for example, a 330 kv transmission system has been installed which will carry one million kilowatts on a single tower line, and we are confident that even higher circuit loadings are possible. Systems equipment, such as power transformers and circuit breakers can be built to handle these higher loadings. And in the area of power distribution, we know that the utilities' distribution system approaches of today are adequate for the loads projected 10 years ahead.

All this simply adds up to the fact that the electric utilities will have the systems apparatus that will enable them to manufacture and ship, at a reasonable investment, all the power that is needed to serve their customers in the years that lie ahead. A further assurance that this favorable condition will prevail can be found in the extent of fundamental research that is being undertaken by the electrical manufacturers today.

Electrical Industry Leads in Research

In a recent survey by the U. S. Bureau of Labor Statistics on the nation's industrial research, the electrical machinery industry led all other industries, accounting for more than one-fourth of the total outlay for research. This willingness on the part of the electrical manufacturer to invest substantial sums in research will benefit all segments of the industry, particularly the electric utilities in their job of operating the system. Here is just one small example of what I mean.

Current Research Laboratory work at General Electric offers the hope that the strength of metals and alloys can be substantially increased. Scientists are now producing tiny crystals of pure iron that are 50 to 100 times stronger than any ever known. By increasing the strength of metals and alloys, we think it will be possible to increase the speed and power of motors, and the efficiencies of turbine generators. If these experiments become operational realities, they will mean for the electric utilities another step forward in serving the electrical loads of the future.

That this and other research activities will find a responsive audience in the electric utilities is known from past experience. By the very nature of their enterprise, the men of the electric utilities have always looked forward. For example, the morning following the announcement of the first atomic bombing of Hiroshima, utility men were calling the General Electric Company, inquiring into the peacetime, power-producing applications of atomic energy. They immediately saw opportunity, not fear, in the atom. As a result, the electric utilities realized that the government should, of necessity, permit private enterprise to participate in a long-range atomic energy program. In conjunction with electric manufacturers, the utilities sought legislation to make this participation possible. And today, many leading utilities are co-operatively grouped together, exploring the potentialities of atomic energy in the generation of electric power. Here is an expression of not only foresight and vision, but also of initiative on the part of the electric utility industry as it approaches the future.

So far, I have endeavored to give you a picture of growth in the electric utility industry by compartmenting the various favorable conditions that this industry faces. But there is still a dramatic story of continued growth and confidence that can be found in projecting the outlook for the electrical industry on a national scale.

Since 1900, the electrical industry has been expanding three times as fast as the average for all industries. And looking ahead, as much electrical equipment will be built, sold, and installed in the next 10 years as has been built in the entire 75-year history of the electrical industry!

The significance of this projection extends far beyond our own electrical industry; here is a valid index to the growth and potential of all aspects of our national life. Because of its tremendous capacity for multiplying human effort, electric power is a prime cause of progress, not a luxury that follows in the wake of progress. In our modern world, the availability of electric power determines, to a large degree, the standard of living, the prosperity, the cultural vitality, and the military security of a nation. The more electric power we have, the more work we can get done. And out of work flow riches, strength, and progress.

Because of this chain reaction, a sense of responsibilitiy touches every man in the electrical industry. It is this sense of responsibility that is at the core of our confidence in our industry and in ourselves. It is this sense of responsibility that, to a large degree, has made feasible the projection of a bright electrical future—a future without fear.

Decries "Underconsumption" Theory

Current issue of the "Guaranty Survey," issued by the Guaranty Trust Company of New York, says the idea, "though false, is a hardy perennial that takes on renewed vigor, whenever signs appear of a market disturbance."

In an editorial article entitled, "The Underconsumption Theory," the current issue of the "Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, attacks the theory put forward during recent business recessions that a lagging consumer demand and lack of purchasing power is the cause of declining business activity.

The theory, says the editorial, is a "hardy perennial that takes on renewed vigor whenever signs appear of a market disturbance. It has some superficial plausibility, especially at a time when human and material resources are less than fully employed. Yet, in the final analysis, experience and common sense do not support it.

"The inventory situation is sometimes cited as furnishing by itself sufficient evidence of underconsumption. An inventory accumulation of substantial magnitude has occurred, and most businesses are now reducing their stocks. Does not such a state of affairs show that industry has already produced more goods than the market can absorb? If so, will not proposals for tax revision designed to restore incentives to investment merely compound the problem? Will not more investment simply add to the already existing superabundance of plant? Does it not follow logically that the proper step is rather to increase mass purchasing power and thus permit absorption of the goods that existing plants are capable of producing? So goes the underconsumption argument.

"Of course, if underconsumption means only that inventory accumulation reflects a surplus of production over consumption, it is a simple mathematical fact. The underconsumption theory, however, assumes far more than this. It assumes that inventory accumulation reflects a positive failure of consumption to keep pace with productive capacity, and that this failure is an inherent and continuing tendency in a free-market economy.

"This assumption is weak in at least two important respects. First, it ignores the fact that much, if not most, inventory accumulation is intentional. Businesses are constantly adjusting their inventory positions upward or downward according to their expectations of demand, costs and prices. Inventory management is an essential part of general business management. It would be as unreasonable to expect inventories to remain constant as to expect any other feature of the business situation to remain constant.

"Second, those who argue that inventory accumulation is an evidence of underconsumption in a significant sense forget that a substantial part of aggregate output consists of capital goods as distinguished from consumers' goods.

"In its crudest form, the underconsumption theory attributes lagging demand to a supposed lack of purchasing power. This idea is so false that it would not even merit attention if it were not so often used as an argument for governmental intervention. It rests upon a complete disregard of the interdependence, or rather identity, between production and income. Production involves payments to all those who participate in the productive process and thus creates its own purchasing power. Every portion of the money value of every commodity is income to someone. Therefore, goods cannot accumulate as the result of a deficiency of purchasing power."

The assertion that general overcapacity exists is very dubious as to fact and is even more difficult to reconcile with theory, concludes "The Guaranty Survey" editorial. "It rests upon the oversaving, underconsumption hypothesis, which is without supporting evidence and flies in the face of elementary economic principles."

Robert Rankin Now With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert J. Rankin has become associated with Hannaford & Talbot, 519 California Street. Mr. Rankin was formerly an officer of Consolidated Investments, Inc.

Takeshi T. Ariyoshi has also been added to the firm's staff.

Weld Elected Pres. Of Wool Associates

Philip B. Weld of Harris, Upham & Co., New York, was elected President of the Wool Associates of the New York Cotton Exchange, Inc., it was announced today by Edward C. Wiedemann, Chairman of the Nominating Committee. Also elected were: Arthur N. Gorham of Gorham's, New York, for 1st Vice-President; Freeman E. Maltby of Macdonald & Maltby, Inc., Boston, for 2nd Vice-President and Frank Knell, New York, for Treasurer.

Elected to the Board of Governors were: E. Kent Allen of Abbott Worsted Co., Graniteville, Mass.; Eliot Bicknell, Boston; Elliot W. Brown of Dewey, Gould & Co., Boston; Edward L. Burnham of Draper Top Co., Boston; Morton H. Darman of Arthur I. Darman Co., Inc., Woonsocket, R. I.; Bradford E. Haley of Nichols & Co., New York; E. Bradford Keith of Walker Top Associates, Boston; W. Gordon McCabe, Jr. of J. P. Stevens & Co., Inc., Greenville, S. C.; Norman L. Sirota of Sirota & Co., New York; William G. Wigton of Orvis Brothers & Co., New York and John M. Williams of Royce & Co., New York.

These new officials of the Exchange took office Wednesday, June 9, for a one-year term of office.

With Managed Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry F. Siegalkoff is now with Managed Investment Programs, 41 Sutter Street. He was formerly connected with Richard A. Harrison.

Hooker & Fay Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA CRUZ, Calif. — Robert A. Huddleston is now with Hooker & Fay, 1508 Pacific Avenue.

A Period of Crucial Challenge

By L. L. COLBERT*

President, Chrysler Corporation

Auto execu'ive, asserts we are living through a period of crucial challenge, which, to be met, requires: (1) discouragement of armed aggression; (2) maintenance of a healthy economy, and (3) the safe-guarding of rights and liberties of individuals under the law. Sees hope and progress in new scientific discoveries and research, and holds we have become strong and great because of high moral standards, hard work, and generosity.

We are now living through a period of crucial challenge — and the response we make to that challenge may determine the fate of freedom itself. In responding to its present challenge the America of 1954 is called upon to do three things: (1) it should discourage or help to discourage armed aggression against free and independent nations; (2) it should do what is necessary to keep its own domestic economy healthy and growing—for its own benefit and for the benefit, through trade and investment, of other nations — so as to demonstrate for the world to see that the free way of doing business is the best way; and (3) it should exercise eternal vigilance in safeguarding the ancient rights and liberties of individual citizens under the law.

L. L. Colbert

It is on these three fronts that our way of life is being challenged, and we cannot fail to respond to any one of them. The challenge comes from outside our borders and from within. It comes in the form of overt, bold-faced danger and in the form of insidious, undermining attacks on our institutions. It sometimes confronts all of us in the form of a great national crisis—and it demands of each of us constantly, in our everyday duties, our best thought and action.

How pleasant it would be if someone had drawn up for presentation to each of you today a neat set of plans for meeting all three phases of the great challenge facing us. I'm sure no graduation present could be more welcome than that. But it seems quite apparent from reading the papers that no one has such a set of plans or is likely to have one very soon.

*From an address by Mr. Colbert at the 1954 Commencement, University of Texas, Austin, Texas, May 29, 1954.

I think all of us Americans have learned, or are learning pretty fast, that there are some problems you just don't expect to solve all of a sudden or very easily. This does not mean, however, that we should be pessimistic about finding some of the answers to some of our problems. We may be up against the toughest challenge ever faced by any nation at any time. But at the same time we are the toughest nation that ever looked a big challenge straight in the face. And it is my purpose today to give you a few of my own reasons for thinking so.

First I would like to remind you of a few of our more tangible advantages. To put first things first, we Americans are one of the healthiest and longest-lived people in the world. We have nearly eliminated some of the great scourges of the early 1900's, and we have learned a great deal about diet and preventive medicine. All of you can look forward to longer and healthier lives than were in prospect for the young people of any previous generation. We have greatly enhanced our greatest resource—human life.

It is likely that you will marry younger and have more children than did the young people of other recent decades. Why this is true, no one knows. It may be that you have greater confidence in yourselves and in the future — even, perhaps, a greater love of life itself than they had. An easier explanation, however, is that no generation ever had better prospects of making a good living for themselves and their children than you have today.

I do not propose to review for you the familiar and impressive statistics concerning the great advances made during the last half century in the nation's ability to produce goods and services. You have studied these facts in your economics courses, and you know how the American genius for mass production and mass distribution has made it possible for more and more of our people to enjoy the benefits of our economic progress.

Too often overlooked, however, is one of the great foundations of this progress — the patient and painstaking work done by our scientists in the laboratories of the colleges, research foundations and industrial concerns all over this country. It is these people who have made possible, for instance, our rapid advances in the field of nuclear physics, and who are pushing their explorations of this new knowledge into new areas every day.

Within the past year alone there have been a good many basic discoveries by American scientists. Of all these recent developments few have greater possibilities for the future, it seems to me, than those promising new ways of harnessing the energy of the sun. At the Massachusetts Institute of Technology a scientist by the name of Lawrence Heidt has worked out a process of breaking down water into hydrogen and oxygen by the use of solar energy and a few catalysts. This process not only turns water into a fuel — hydrogen — but simultaneously provides the right amount of oxygen needed for its combustion. This discovery thus makes possible, in theory, a closed-cycle power system energized by sunlight alone.

Just a few weeks ago the Bell Telephone laboratories announced the construction of a solar battery made of strips of silicon which converts useful amounts of the sun's radiation directly and efficiently into electricity.

What do these discoveries mean for the economic future of such sunny areas as the Middle East or great sections of our own West? If the sun can be put to work pumping and freshening the waters of the sea, we may have to rearrange a good many of our present ideas about the pressure of population on the land resources of the world. The possibilities of these discoveries for the future welfare of mankind stagger the imagination.

To get some idea of how fast our progress may be in the years ahead, it is helpful to see how far we have come in the last decade and a half. Just consider, for instance, that in 1938 medicine had no antibiotics — and agriculture was without DDT. In that year there was no television industry, no synthetic-fiber industry, no synthetic-rubber industry. No one knew how to seed clouds for rain or how to split the uranium atom. And we knew next to nothing about jet aircraft, guided missiles, or electronic computers.

As long as we can keep our scientists and engineers equipped with the instruments they need and working in an atmosphere of freedom, we need not worry about the loss of old frontiers of opportunity. As Vannevar Bush once said, science is "an endless frontier." It is up to all of us to encourage those with scientific gifts to pioneer on this frontier.

The discovery and application of new scientific ideas will help us to keep or economy growing and healthy. It will also be one of the strongest deterrents to aggressive adventures on the part of those who would attack any part of the free world.

I have mentioned a few of the ways in which we have become strong and some of the things which will keep us strong in terms of the health of our bodies, the knowledge in our heads and the weapons in our hands. But these things alone are not enough. No nation ever met a great challenger by virtue of its health, its wealth and its weapons alone. Equally important are the spiritual resources which are built up over the course of many centuries, which manifest themselves in the daily lives of a nation's people, and which are preserved in a nation's traditions.

What is the essence of our American tradition? I suppose every American would answer this question in a different way. But all the answers would contain some things in common. As I see it, our way of living, our way of looking at life, is built upon four fundamental human values. The first of these is the value of work—in and for itself. A few months ago my attention was called to a very interesting editorial in the London "Economist." The British writer was asking why it was that the United States had established such a remarkable record of economic production—a record which other countries have failed to approach. He said that in his opinion the answer could not be found in statistics of national resources or in descriptions of economic policies and management methods. The real answer, he said, is that some nations want to produce more. They set a high moral value on work itself and on efficient production. Let me quote two or three sentences from this editorial:

"After all has been said that can be said on the direct constituents of American productivity, on the quality of management, on the use of machinery and the organization of production, on standardization, on labor relations, it is apparent that only a small part of the answer has been given. The real secret of American productivity is that American society is imbued through and through with the desirability, the rightness, the morality of production. Men serve God in America, in all seriousness and sincerity, through striving for economic efficiency."

Now I suppose there are not many men who earn their living in an office or a factory who think of their work as a way of serving God. But I wonder if this British economist hasn't understood something of our way of life that we have not fully understood ourselves. I believe that for most Americans there is a deep satisfaction in turning out a good product, and that nearly all of us get a definite moral satisfaction out of a job well done.

Certainly there is much in our common religious background that would tend to cultivate in all of us a very high regard for work for its own sake. All of us are familiar with that great verse in Ecclesiastes — "That work which thy hand findest to do, do it with thy might." And there are many other similar passages in the Bible. All of us have heard these passages all of our lives. We are the successors to a good many generations of Bible-reading, church-going, hard-working people. The desire to work and work well has been bred in the bone.

If it is true that we Americans are among the hardest working people in the world, it is also true that we are among the world's friendliest people. Every foreign visitor to our shores over the past two centuries has commented upon this as one of the most evident and most characteristic of American traits. I am inclined to think that one of the secrets of our ability to outwork and even outfight most other nations in the world is our ability to work and fight and play together in friendly groups and teams. Our liking as a people for getting together to get things done effectively is, no doubt, a part of the pioneer tradition. During the centuries when we were pushing back our Western frontier, we learned to be good friends and helpful neighbors. A famous historian has said that in those frontier days we Americans "reversed the whole history of language to make the word 'stranger' one of welcome." And the same historian reminds us that the friendly front porch was an American invention.

The people of many nations have learned how friendly and helpful this country can be in times of disaster, famine and war. Winston Churchill, referring to lend-lease during World War II, called it the "most unsordid act" in the history of any nation.

Of all the great human values upon which this country is based, none is more important than the dignity and self-respect of the individual. This is, after all, the central value upon which our country is founded. It was this that was in the minds of those who drafted the Declaration of Independence when they held "these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable rights, that among these are Life, Liberty and the pursuit of Happiness." In the nearly two centuries since those deathless words were written, the rights of the individual under God have been preserved and the range of opportunities for individual growth and experience has been greatly extended.

From the first we Americans have understood that a man works and thinks and creates because of the fire in his own heart and brain. We have understood the importance of feeding that fire with the fuel of freedom. We know that only by preserving freedom for the individual can we provide for the full growth of the human spirit and the realization of its limitless possibilities.

Beyond these three values—the love of work, the tradition of friendliness and generosity, and the recognition of the worth of the individual — there is, in my opinion, another key element in the American tradition. It is what I will call the realistic approach to life. We try to see the world as it is, not as we wish it were. Starting with a straight look at the facts, we go on to construct something better than we have. We have an ingrained way of looking at the world and all that's in it as something imperfect, un-

finished and subject to remodeling and indefinite improvement. We are experimental. We never build a bridge or make an automobile that we don't think immediately of ways they should be changed. In my own office, constructive suggestions come to me constantly from engineers and from hourly rated workers concerning modifications and improvements they want to make in our cars and trucks and in our production methods.

The average American thinks of nearly everything good as being the "best yet" but not as the "last word." He thinks nearly everything can be changed for the better — everything except freedom itself, which makes change possible.

A people whose national life is founded on the four values I have discussed is a people prepared to respond to great challenges. It is a people that will work hard as individuals to produce a better life for themselves—and in so doing build a better life for others; a people that will stand together in times of trouble; a people that believes in decency, fair play, and the rights of the individual under the law; a people that knows that in this imperfect world the way to improve is to build on the conditions of the world as you find it —and not to follow those who claim to have a road map to Utopia in their pocket.

H. R. O'Neill, Jr. With Fairman & Co., L. A.

Hubert R. O'Neil, Jr.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hubert R. O'Neil, Jr. has rejoined the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He has recently been with Gross, Rogers, Barbour, Smith & Co.

N. Y. Cotton Exch. Elects Officers

Edward J. Wade of Wade Bros. & Co. was elected President of the New York Cotton Exchange. Elected as Vice-President is Malcolm J. Rogers, New York City. John M. Williams of Royce & Co. was elected Treasurer. Those elected to the Board of Managers are: Alfred Boedtker, Volkart Brothers Company; Bernard J. Conlin, B. J. Conlin & Co.; Alfred B. Emmert, Dan River Mills, Inc.; Tinney C. Figgatt, New York; Edmund W. Fitzgerald, Hentz & Co.; Jewell E. Floyd, New York; Frank J. Knell, New York; George A. Levy, Anderson, Clayton & Fleming; John D. Miller, Jr., Robert Moore & Co.; Nathaniel H. Morison, Jr., N. H. Morison; Hugh E. Paine, Abbott, Proctor & Paine; Joseph M. Sauer, New York; Gustave I. Tolson, Geo. H. McFadden & Bro.; Alden H. Vose, Jr., Kohlmeyer & Co.; and J. Antonio Zalduondo, Orvis Brothers & Co.

With the exception of Messrs. Williams, Emmert, Floyd and Sauer all of the others were members of the retiring Board who were re-elected.

These new officials of the Exchange take office today, June 10, for a one-year term of office.

Edison Electric Institute Elects New Officers

Harold Quinton, President of Southern California Edison Co., named as President, and Harllee Branch, Jr., President of the Georgia Power Co., as Vice-President, at Convention held in Atlantic City, N. J.

Harold Quinton, President and Director of the Southern California Edison Company, Los Angeles, California, was elected President of the Edison Electric Institute, at the conclusion of the Institute's convention at Atlantic City, N. J., on June 3.

Harold Quinton

Harllee Branch, Jr.

Mr. Quinton, first Pacific Coast electric utility executive to hold the Institute presidency, had been Vice-President of the industry's trade association for the past year. He was inducted as President on the closing day of the 22nd annual convention.

The election of Mr. Quinton as chief of the EEI follows by a month and a half his election as President of Southern California Edison Company. He became top executive officer of the Southern California utility company in April, after having served as Executive Vice-President from 1948. His association with the company began in 1942, when he was elected Vice-President in charge of finance. Formerly, he was a partner for 16 years in Arthur Andersen & Co., certified public accountants. Prior to this association with Arthur Andersen & Co., he was with the Treasury Department in Washington, D. C. He became a member of the Edison Company's board of directors in 1945, and has been a member of the executive committee of the board since 1949.

Mr. Quinton's record of community service since being identified with the Southern California Edison Company is not confined to the electric industry alone but includes participation in many important industrial and civic activities. He is a director of the California Bank and Pacific Mutual Life Insurance Company, both in Los Angeles, and is a director of the Los Angeles Chamber of Commerce. He is a leading figure in affairs of the Pacific Coast Electrical Association, of which he is a past Vice-President and director.

Topeka, Kansas, was Mr. Quinton's birthplace and boyhood home. He attended grade school, Topeka High School and Washburn Academy there, and Northwestern University. Mr. Quinton served in the cavalry and field artillery in World War I.

As President of Southern California Edison Company, Mr. Quinton is top executive officer of the sixth largest electric utility in the United States, and one whose growth has been most spectacular. In the years 1949-1953 inclusive, his company headed the list of electric utilities in the nation in the number of new customers added to the lines. In that period nearly 320,000 new customers were served by the Edison Company. Southern California Edison serves approximately three and one-half million people in an area of about 14,250 square miles in Central and Southern California. The company has more than 7,500 employees and nearly 85,000 stockholders.

Harllee Branch, Jr., Elected Vice-President

Harllee Branch, Jr., President of the Georgia Power Co., was named Vice-President of the Edison Electric Institute.

Before joining the power company in 1949, he was a member of the law firm of MacDougal, Troutman, Sams and Branch, general counsel for the company. He had been associated with the law firm since 1931, handling legal matters for the power company.

He attended Davidson College in North Carolina and was graduated in 1927 with the degree of Bachelor of Arts. He enrolled at Emory University that same year as a law student and completed his studies in 1931. He is a former instructor in law at Emory University, the University of Georgia Evening College, and the Atlanta Law School.

Mr. Branch worked as a reporter on the Atlanta "Journal" from 1929 to 1931 while attending Emory. From 1930 to 1932 he was publicity director for radio station WSB. During World War II he served as a Lieutenant in the United States Navy.

He was elected Vice-President and General Manager of Georgia Power in 1949 and two years later was named President.

He is active in many civic and professional organizations and was recently elected President of the Southeastern Electric Exchange.

Wm. A. M. Burden Co. Admits Two Partners

William A. M. Burden & Co. has announced the admission of Robert R. Barker and James T. Hill, Jr. as general partners.

Mr. Barker has been associated with the firm since Aug. 1, 1949, having previously been associated with J. P. Morgan & Co., Incorporated for about 13 years.

Mr. Hill has been associated with the firm since his resignation in early 1953 as Assistant Secretary of the Air Force. He had previously engaged in the practice of law with the firm of Sullivan & Cromwell.

Both Mr. Barker and Mr. Hill were on active duty with the Navy in World War II.

William A. M. Burden & Co., a New York limited partnership formed in 1949, is one of the venture capital firms which came into existence after World War II. It has tended to emphasize investments in oil and other natural resources and special situations in the aircraft industry.

Los Angeles Bond Club Annual Field Day

LOS ANGELES, Calif. — The Annual Field Day of the Bond Club of Los Angeles, to be held June 11 at the Wilshire Country Club, will have a complete program of activities for members, Field Day Chairman Deeb Peter, of Blyth & Co., reported.

Competitive events begin at 9 a.m., when golfers tee off, with baseball scheduled for the afternoon. A dinner for all members will conclude this yearly gathering.

Joins Williams Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Theodore G. Buckenmier is now connected with Williams Investment Company, Barnett Building.

Assets and Liabilities in Providing Adequate Highways

By ALBERT BRADLEY*
Executive Vice-President, General Motors Corp.
Chairman, National Highway Users Conference

After referring to substantial road building activity already under way, Mr. Bradley enumerates the assets and liabilities confronting the nationwide movement for adequate roads. Discusses means of providing adequate highways, and says proper financing is the heart of the highway problem. Concludes "adequate roads don't cost, they pay."

When I began to gather together the things I wanted to talk to you about at this Congress, it seemed to me that it would be a good idea to draw up a sort of balance sheet for the two years since we last met — putting on one side the assets or accomplishments and on the other the liabilities or problems.

Albert Bradley

Let's talk about assets first.

Two years ago, you may recall, I expressed the opinion that we ourselves had been doing too much of the talking and the public too little. I said at that time: "We are *never* going to get out of the highway muddle . . . until the everyday man on the street . . . starts doing the talking." And I urged that we "really get out and stir up the grass roots."

Well, we did—particularly the group represented here this morning. There has been a lot of stirring up of the grass roots—a lot of talking by a lot of different people. Public opinion has become aroused and, I believe I can say, is now receptive to action.

There has been action too. Things have started to move. That also is on the plus side of the ledger.

First of all, we have seen increased action in highway departments, where, of course, programs and projects originate. Particularly encouraging has been the increase in planning of a long-range nature in so many states.

There has also been more action at the legislative level, particularly with respect to financing. I refer not only to the public-authority-toll-road type of financing, but also to long-term bond issues for non-toll highways to be paid off by the state during the useful life of the facility.

Authorizations and appropriations, too, have increased.

*An address by Mr. Bradley at the Fifth Highway Transportation Congress of the National Highway Users Conference, Washington, D. C., May 5, 1954.

Upward Trend of Construction Costs Stopped

Still another plus is the arresting of the upward trend in construction costs. In fact, not only has the trend been arrested; there has even been a decline. The Bureau of Public Roads construction cost index stood at 156.9 for the fourth quarter of 1953, 9 points below the first quarter peak. If this lower cost trend holds, the dollars available for construction in 1954 and subsequent years will provide many extra miles of highways and many more other highway improvements.

Another item on the asset side of the highway ledger—and, I might add, of all our ledgers—is labeled "End of the Korean War." While it has always been our position that highways constitute a first line of defense, the government's position apparently differed from ours during the period of Korean hostilities—as it did during World War II when highways were considered expendable and, because of lack of proper maintenance, were expended almost to the point of breakdown. Fortunately highway construction and maintenance programs are now freed of the governmental controls and material shortages which kept the brakes on during 1951 and 1952.

For the first time in many years, these particular road blocks are out of the way. Plenty of steel is available. We have sufficient manpower. Interest costs are low for projects that need to be financed. Conditions are, therefore, most favorable for further action on the highway construction front.

I said just now that the government's position differed from ours on the importance of highways to national defense. I should have said "the previous Administration's" position because the new Administration appears to have taken a "new look" at highways, as at a number of other things.

President Eisenhower himself has said, and I quote: "Next to the manufacture of the most modern implements of war as a guarantee of peace through strength, a network of modern roads is as necessary to defense as it is to our national economy and personal safety."

I count the new Administration an asset on our highway ledger in a number of other ways. At a time when economy is at long last the watchword in Washington, the Administration's awareness of highway needs is particularly significant, and indicates an encouraging recognition on the part of our legislators of the importance of highways to our economy and of the need for making up deficiencies that have accumulated since 1940.

Outlays for Road Construction in 1953

The final item on the asset side of our highway ledger is the sum total of the many miles of new highways built last year and the year before, plus the record volume of maintenance work. In 1953 alone the $3,243 million spent on construction built 50,000 miles of surfaced roads. Total expenditures in 1953, including maintenance, were $5,277 million, an all-time high.

The public, no doubt, was especially aware of the new toll highways under construction during the past year. At least, these were the projects that seemed to be highlighted in the news. Toll roads are by no means the complete answer to the highway problem, but they do represent an effective method for relieving certain critical situations where traffic movement is heavy. They provide what might be called a de luxe service that cannot be built immediately and perhaps never could be built out of general funds.

So much for the asset side of our highway ledger. Let's take a look at the right-hand page where we traditionally list liabilities.

First and foremost as a highway liability is what might be called the "motility" of the American people—which may be defined as their astonishing capacity for spontaneous movement.

We now have more than 55 million vehicles on the road. And each one of them is "on the road" an average of two hours every day, 365 days a year. Last year they piled up a record total of 550 billion miles of travel.

Of course, it should not be forgotten that our skyrocketing traffic volume is a liability only on the highway balance sheet. On the balance sheet of the economy as a whole, it is a decided asset—when combined, that is, with good highways.

Our second highway liability I suppose we should label inflation. Last year's dollar expenditures on highways were a record and double those of the prewar year of 1938; but when these dollars are translated into purchasing power, the picture is quite different. Actually, we were putting out no more *real* dollars for highway work last year than we did 16 years ago when our car and truck population of 29 million was little more than half of today's 55 million.

In relation to total outlays for all goods and services, we are not putting out as many dollars. In 1938, 2.85% of gross national product was accounted for by highway expenditures. Last year the percentage was only 1.44, or only one-half as much.

Even that comparison doesn't tell the full story. Because of our changing standards as to what constitutes a good highway, a dollar does not buy as much highway footage today as 50 cents did 16 years ago. Wider rights of way, control of access, easier grades, heavier pavements—all these have added to the per foot cost of highways.

Urban Traffic and Parking

But let us proceed with our balance sheet. Another item which still must be listed among the liabilities rather than the assets is urban traffic and parking. We have made some dents in these two related problems, but few where congestion has been extremely serious. The more critical the problem, the more difficult it has been to find a solution. There is a moral in this: by forward planning let's solve our highway problems before they catch up with us—but that is not of much comfort to our older communities who see downtown streets choked with traffic while the flow of commerce cuts new channels into the suburbs.

I have already placed on the asset side an aroused public opinion. Unfortunately, this must be offset by the sad but true fact that most of that opinion is as yet uninformed. People want better highways. But they have little conception of what has to be done to get them.

A year ago we in General Motors ran a contest: How to Plan and Pay for the Safe and Adequate Highways We Need. We received 44,000 essays. A lot of them were excellent, but one thing that struck us particularly about the balance was the impractical and unrealistic nature of many of the solutions suggested. While the public is concerned about the highway muddle and is groping for a solution, it needs guidance.

And so I list as a liability the fact that even though people want better roads, too few know how to go about getting them.

I am sorry to say that only too often we who are close to the problem are not very helpful. Only too often in our public pronouncements we use words that are perfectly clear to us — like "dispersion" and "sufficiency rating"—but that are little understood by the public.

What is more, we often disagree among ourselves:

As to the relation of truck weight to pavement life,

As to the future of toll roads,

As to the fairness of the ton-mile tax,

As to whether diversion is a naughty word,

As to methods of taxation—

If the experts are not in agreement, is it any wonder that the people are confused? Another item for the liability side of our ledger.

"Adequate Roads Don't Cost, They Pay"

Two favorite words among our highway fraternity are "adequate" and "inadequate." I use them frequently myself. Two years ago our Highway Congress theme was, "Adequate Highways for a Stronger America." This year it is, "Adequate Roads Don't Cost, They Pay."

That's a good slogan. But I am wondering whether we should not begin to cast about for words that define our highway goals more vividly and more compellingly and convey a clearer picture of the urgency of the highway problem.

Inadequate highways are costly highways, and the cost is tremendous—one of the largest items in our ledger.

Someone has said we are already paying for the good highways we don't have—and that just about states the case. As a matter of fact, it understates the case. It has been estimated that the modern freeway saves its users four cents per mile in lower operating costs, reduced travel time and fewer accidents. Obviously, not all highways can be freeways, but studies indicate that our present highway "inadequacies" represent a total out-of-pocket cost of at least $3 billion a year. All of which is summed up in our Congress slogan, "Adequate Roads Don't Cost, They Pay."

So much for review. I think you will agree that while we have made some progress, much of what is popularly taken for progress is merely the illusion achieved by a man walking on a treadmill. He appears to be moving fast when actually he is just exerting his best efforts to stay in the same place. Much of the current activity we see is merely a desperate attempt to keep from slipping further behind.

Highway User Interest Must Be Aroused

The question is: What can user groups do to help our nation get a highway system commensurate in efficiency with the rest of its industrial plant?

First of all, we can continue to arouse the man on the street to do some talking.

We find that in many communities people put up with inferior facilities partly because they don't realize they are inferior and could be improved and partly because they don't know how they could be improved. They figure that it is in the nature of a particular highway to be choked with traffic—just as Fibber McGee figures that it is in the nature of closets to collapse on him whenever he opens the door. Or they haven't got the imagination to see the solution just as perhaps Fibber really doesn't know what else to do with all that junk.

In my own front yard, every-

one used to grumble about conditions on Route 1 from New York to Washington. Now they say: "Why it's no trouble at all driving to Washington. I'd no idea what a difference the turnpike and the new bridge would make."

Of course, they had no idea. If they had, both the Jersey Turnpike and the Delaware Bridge would have materialized years ago.

So we must continue to arouse the man on the street. Even more important, we must see to it that when he is aroused he moves in the right direction instead of in circles or in all directions. Too often the firepower is there but the aim is poor. We must see to it, for one thing, that he draws a better bead on state legislatures to make them more responsive to the public's wishes.

It is obviously not up to us to recommend specific projects. But we can do a lot to keep the popular demand for better highways on a sound course—and particularly by endorsing and promulgating sound principles.

Our first job, however, is to agree among ourselves on a set of sound principles—broad enough to be generally applicable but not so broad as to be mere pious generalizations.

To do this we must adopt a fresh and enlarged view of the subject—in other words, we must get up on a high hill and survey the whole landscape. We need to get above the timber line with its underbrush of petty disagreement, preoccupation with details and undue emphasis on relatively minor issues.

Two Guiding Principles

In mapping our course, let us take as benchmarks two guiding principles:

First, let us concentrate on a limited number of attainable major objectives;

Second, let us have sufficient elasticity of policy to adapt readily to changing conditions.

In preparing for this Highway Congress, several thousand highway users all over the country were asked to select five of sixteen issues considered most worthy of being discussed here.

The response from this cross-section of informed opinion was very good. The choices were:

One, Adequate roads programs;
Two, Getting public understanding;
Three, Uniform laws and safety;
Four, Diversion, and
Five, Finance.

That Number Five subject, finance, cuts across most of the others in one way or another and is worthy of our particular and concentrated attention. To my way of thinking, it is the heart of the highway problem, and I hope it will be possible for all of us to focus largely on it during the next two years.

Breaking it up into smaller pieces, we have three major financial issues today. These are:

Federal-state relations,
State tax structures and levels, and
Credit financing.

If we do no more than make a tangible contribution in the next two years toward resolving these three financial issues, we shall have cause for hearty self-congratulations in May of 1956.

Of course, it goes without saying that closely tied in with the problem of finance is the wise use of such funds as are appropriated. In this area, however, while offering as much intelligent cooperation as we can, we should avoid unwarranted invasion of the province of highway administrators and technicians.

I realize, of course, that much of what I have had to say this morning you have heard before—and no doubt many times. But it still needs iteration and re-iteration.

Public Utility Securities

By OWEN ELY

Atomic Power and the Utilities

The utility industry is now paying a great deal of attention to atomic energy, as indicated by the discussions at the recent convention of the Edison Electric Institute. For a number of years engineers have been using the convenient remark that "atomic energy is 10 or 20 years off." But now, with a large atomic power plant actually under construction (electricity from which will be bought by Duquesne Light under contract with the Atomic Energy Commission) the time limit for the commercial production of power has apparently been reduced to two or three years.

However, this does not mean that atomic power will be commercially profitable for the utilities. Duquesne will pay a fairly high price for its power (already fixed in its contract) as compared with the cost of generation in the most modern steam plants. Nobody in the utility industry probably as yet knows definitely the cost of the raw material, uranium or plutonium, which the AEC must supply; nobody knows how much can be obtained from the sale of radio-active by-products. These products fall into two groups: (1) isotopes of various elements (the atoms of which have an abnormal number of electrons) which are used principally in medical and biological research, since they provide "tracer atoms" which can be included in a dose of medicine, the action of which can then be more easily detected; and (2) radio-active materials which can be used to sterilize foods (preventing them from spoiling at room temperature for a considerable period), for tracing leaks in pipe-lines, and for various other industrial uses.

If atomic power were being generated on a large scale (in addition to the continued production of bombs by the Government) the market might well be glutted with these by-products, since they are used in very small amounts. While the situation is somewhat like that involved in manufacturing gas with substantial by-products (using the latest oil-gas process) nevertheless the values are much harder to estimate. Much will depend also on the attitude of the Federal Government and the amount of classified information made available to the industry if and when Congress passes pending legislation.

Another major cost problem is the handling of the radio-active material both in its original form and as "burned-out" but still radio-active sludge. Anyone at all familiar with the AEC plants knows that most of the operations must be conducted on a shielded basis, or by using "robot" devices. Disposal of the sludge is also a very serious problem; it can't be buried underground for fear of contaminating underground streams; one solution is to encase it in concrete and drop it in the ocean.

There are some six different processes of generating electric power that the AEC is experimenting with, to determine which is the cheapest and most practicable. Some 500 utility men and atomic experts recently gathered in Washington to hear talks by proponents of these various reactor types, which include the following: (1) The boiling water reactor, being developed by the Argonne National Laboratory and favored by General Electric; steam generated by the reactor goes directly to a turbine which turns the generator, (2) The pressurized water reactor (PWR) favored by Westinghouse Electric, and used in the submarine engines now being tested; this type uses water under pressure to control the chain reactions as well as to transport the heat. A study is also being made of using "heavy" water, with a double-hydrogen atom. The cost of generating electricity is estimated at around 7 mills, if the cost of heavy water can be reduced. (3) The water-cooled reactor, with graphite controlling the speed of the chain reaction and hence the heat generated; the secondary heat circuit makes the process somewhat more complicated. G. E. atomic spokesman Francis K. McCune (as reported in "Business Week") estimates that this method would produce power at less than 7 mills, thus competing with nearly 20% of the large generating plants installed in the past two or three years. (4) The homogeneous reactor being developed at Oak Ridge National Laboratory, where the reactor is carried in a liquid permitting continuous reprocessing — which factor may reduce costs. (5) The sodium-graphite reactor being developed by North American Aviation and the AEC. This type will have high thermal efficiency and may also "breed" new atomic fuel, which would reduce cost. (6) The fast neutron power breeder being built at Argonne, which should have low fuel cost, but which may take some time to develop.

Some eight study groups including 31 electric power systems, representing about half the total generating capacity of the country, are now working with the AEC on power research projects. Evidently the utility industry doesn't want to be caught napping—and doesn't want Washington alone to develop atomic power (somewhat in the way it has developed hydro power) on the assumption that "the utilities can't handle it." The writer recalls that when aviation was first being commercially developed some leading railroads bought shares in the airlines and proposed to take an active interest in this new and competitive industry; but somewhere along the line their conservative managements dropped the idea. It looks as though the utilities mean business, however, and with the cooperation of the Federal Government worthwhile results should be obtained within a few years, and atomic power can then take its place alongside other efficient methods of generating electricity.

As Eldred H. Scott, Controller of Detroit Edison Company, recently pointed out in a speech before the National Federation of Financial Analysts Societies, the fact that electric output doubles about every decade should permit incorporating atomic energy plants along with the present generating plants, so that investors will not have to worry about the factor of obsolesence.

Mathew Nilssen, of J. A. Hogle & Co., On Visit to West Coast

Left to right: W. G. Paul, President of the Los Angeles Stock Exchange; Mathew Nilssen, J. A. Hogle & Co., New York City; J. D. Boggs, J. A. Hogle & Co., Los Angeles.

LOS ANGELES, Calif.—Mathew Nilssen, J. A. Hogle & Co.'s partner on the floor of the New York Stock Exchange, is in Los Angeles for a series of meetings with partners and staffs of the firm's local offices. Mr. Nilssen, who is responsible for the execution of J. A. Hogle & Co. orders on the floor of the Exchange, is on a nation-wide tour of the firm's offices to better acquaint customers and staffs with the mechanics of New York Stock Exchange operations. Meetings will be held at the California Club.

He is also interested in obtaining first-hand knowledge about many of the Southern California businesses which are currently receiving increased attention of Eastern investors. During his visit he met with business leaders and executives of the Los Angeles Stock Exchange, including W. G. Paul, President of the Exchange.

Mr. Nilssen has been a floor partner for J. A. Hogle & Co. for six years. He knows the New York Stock Exchange from the ground up, having started as a page boy in 1928, and moving up the ladder to his present capacity as a floor partner.

Selling Action Required to Expand Electric Power Use

By SHERMAN R. KNAPP*
President, The Connecticut Light & Power Co.

New England utility executive stresses need for a modern sales program to build up and utilize future electric power. Says power companies could stand more intelligent person-to-person selling at the retail level, but points out the best kind of selling is the company's attitude, in which everything the company sells contributes to the company, the community, and the economy. Emphasizes value of selling ideas instead of things.

This whole topic of selling is so large, so round, so fully packed with thoughts, theories and viewpoints that it is hard to get agreement even among those who consider themselves sales-minded. There are few topics which enclose more resounding arguments, erroneous convictions, and plain hot air.

Sherman R. Knapp

To hear businessmen of all breeds talk, you would think that the American salesman had vanished from the face of the earth. Yet the sales figures of product after product continue to climb.

What this country needs, we are told in thousands of speeches and editorials, is a return to good old-fashioned salesmanship. More thumbs on doorbells. More, and presumably louder, sales meetings. More shoe leather rubbed off on bricks. More phone calls, follow-ups, push money, premiums, point-of-sale displays, banners, streamers and gaudy gimmicks.

Maybe. There is a use for every tool in the kit or it wouldn't be there. But as in the practice of medicine, the art of selling is sometimes confused with the tools. It takes more than an office full of instruments to make the good doctor. It takes more than good salesmen—although a few more would help—to create the modern sales program that deals with attitudes and satisfactions.

The other day at lunch I was discussing my assignment here in Atlantic City with a man who heads what he calls a "merchandising" business. The company makes a packaged consumer product; it has a relatively small factory, a big sales force, and what seems to me a fantastic advertising budget. I told my friend I was looking for ideas and principles which might be useful to power companies in their selling for the future market.

I have to report that my friend snorted in amazement. He could not believe that a power company had anything remotely resembling a sales problem. "Why," he said, "everybody has to have electricity, they can't buy it anywhere else, so what else do you have to do but make the stuff and read the meters?"

I suspect he is not alone in this belief even in our own industry. I have met some engineers and operating men who seriously consider customers an unfortunate nuisance—and ungrateful to boot. On occasion, it is tempting to agree.

A customer, as we all know, can be a very annoying fellow. He never thinks a bill is too low, or even reasonable. He can hook up enough heaters, toasters and curling irons on a single circuit to fry an ox, and then complain that 15 amp fuses aren't what they used to be. He can also be a very rewarding fellow — and anyway, he's all we've got. So we ought to get to know him better.

In Connecticut we have learned some things about customers that I think are significant. We are in a high cost area, which makes for relatively high rates. We are, we think, salesminded—which makes for relatively higher use of electric power. The average use by our electric household customers last year was 2,598 kilowatt-hours —well ahead of the national average. Our average residential monthly bill was $6.52, compared to $5.35 average for the industry, and one of the highest in the country.

Against this background, it is interesting to know that we have found that what we call our high-use customers are not only our best customers revenue-wise—they are also the low-trouble customers. For us, a high-use customer means that he has an electric range and hot water heater as well as the usual lighting and appliances. It has little to do with the size of his pocketbook or the size of his house. It has to do with his full use, and thereby full appreciation, of electric power. Furthermore, there seems to be a parallel between the high-use customer's value as a consumer and his substance as a citizen. He is more likely to pay his bills promptly. And, as a recent spot-check indicates, he is quite likely to be one of our 40,000 stockholders.

So when we talk of selling for the future market, in our company, we are concerned with more than kilowatt-hours. We are thinking in terms of creating customers, rather than sales; and of developing more high-use customers who because of their investment in electric living, and their reliance on it, have more in common with their power company. It seems reasonable to believe, also, that the high-use customer, with a higher mutual interest, is more likely to share the same beliefs in economics. At any rate, we love him dearly, and our sales thinking is hinged on winning more like him.

*An address by Mr. Knapp before the 22nd Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1954.

Importance of Merchandising

Of course, even in our own company, and certainly in our own industry represented so handsomely here today, there are those who, like my merchandising friend, are still not sold on the need for selling in a public utility operation. We have all seen from time to time the beautifully presented prognostications of our partners, the electrical manufacturers, showing how much the load is going to grow in the next 10, 15, or 20 years. I have been afraid sometimes that there is a tendency for us to become complacent in the false belief that our industry's future growth is in no way related to our policies and efforts. I am not going to argue the point, but I would like to say with all solemnity that I know of no product, no cause, no idea which has won public understanding and acceptance without that force of active belief variously called selling, or merchandising, or promotion.

Electric power, for all practical purposes, is a packaged product. It is not enough merely to make it available. The package must be opened, the switch snapped, before it can be consumed and paid for. If, as an industry, we are to load up the capacity now being installed and planned, I think we shall have to demonstrate with selling action our belief in what it can do for our customers whether they are housewives, farmers, storekeepers, or manufacturers.

The kind of selling I mean is an attitude—a company attitude in which everything the company is and does contributes to its selling; in which everything the company sells contributes to the company and the economy. Mainly this means selling ideas. Selling, in this sense, is nothing separate and apart. It has its techniques and tools, to be sure, but above all it must express a total belief and approach. It includes the company's standing as a citizen in its community, its work to improve and serve that community. In our company, it includes the yellow trouble trucks and the linemen's helmets with the block letters "CL&P" as well as the company's successful efforts to create the Connecticut Development Credit Corporation. It is the newly remodeled stores in the old towns, and the manners and public helpfulness of the meter readers. It is advertising and a tree control program. It is also salesmen.

There will always, I hope, be salesmen. Person-to-person selling was directly responsible, I feel, for the initial expansion of goods and services in the early decades of the century. The vacuum cleaner salesman, the magazine subscription and book salesman, yes — the automobile salesmen, lately invisible, the stock salesmen of sometimes regretful memory. And, of course, the insurance salesman famed in cartoon and story. Probably all of us here should recall the insurance man with gratitude. How much insurance would we have bought if the insurance man hadn't worked us over, and kept after us with every approaching birthday, every new baby?

Example of Personal Selling

No, personal selling isn't dead —it just looks that way in too many stores suffering the transition from service selling to supermarket buying. Part of the picture is the shift in emphasis from selling to buying.

You want to buy a hammer, so you go into a hardware store. You look for the hammers. Only if you don't see what you want do you look for a salesman, so-called. You tell him you want a hammer. He says, "They're right over there somewhere." He follows you over —maybe. You check the price tags and pick up a medium-priced hammer. You ask him if it's a good one. He says it's a mighty good hammer, they sell a lot of them.

Does he say, "Well, sir, that's a good hammer for the price, but just kept this one for only a dollar more. This is the one the carpenters buy. It has a heat-treated head that can't come off, and the handle is made of long-grain hickory pre-seasoned with human sweat." He does not. Yet who are we to talk—only undertakers have a lower business mortality than hardware stores!

On the other hand, I recently heard of a hardware store out in the prairie dog country that is run by a real salesman. Once, he saw a car go by with a plank sticking out the back. He ran out, caught the license number, and later that day sold a surprised homeowner a $200 power tool. The same fellow leaves catalogues and manuals for that particular tool in barber shops. He gave two copies of a $5 book about power tool woodworking to the local library, makes regular visits to take off the cards the names of those borrowing the books. Had sold three of them at last account.

Actually, he didn't sell those power tools. He sold an idea by selecting men who were in the mood for some electric woodworking around the house. He showed them how to use the tool, how to pay for it by saving money while using it. In effect, this real salesman made it easier to say "Yes."

Perhaps this is the significant difference between the old and the new personal selling. The oldtime salesman knew his techniques, by which he made it harder and harder to say "No." The modern salesmanship, in person or in print or at the point of purchase, makes it easier to say "Yes."

I certainly think we could stand more — and more intelligent— person-to-person selling at the retail level. But, today, person-to-person selling is only one of the means to the overall objective. The supermarkets sell more spices and housewares than all the Yankee pedlars. The book clubs sell more books, by giving away encyclopedias, than the foot-in-the-door boys even dreamed about.

The principles of good salesmanship, fitted to the needs and ultimate interests of the customer, have not changed. But the methods of selling have changed as the aims and costs of selling have become relative to the overall goals and operations of business.

"Suction Selling"

For one thing, pressure selling (often called high-pressure selling) has given way to what you might call "suction selling." In this, the sales effort is less in going out after customers than in getting them to come in. Examples, painful in some quarters, are savings bank life insurance and lower-cost, mail-order automobile insurance. The book clubs I mentioned are another example, and the supermarkets that are the new Great White Way across the whole country.

This trend to suction, rather than pressure, selling is part of the growing and imperative necessity to cut the costs of distribution. The dollar distance from the factory to the purchaser is often far greater than the distance from the raw materials to the finished product at the end of the production line.

Too many products simply cost too much to sell. For some products, the pennies saved in the factory have literally become the only pennies earned. For others, the economies and efficiencies achieved in modern design and manufacturing have been swallowed by the rising costs of distribution in the old market patterns. In such companies, the old joke about, "we lose money on every item but make it up in the volume," is no joke—even when

Continued on page 44

Tax Revision Revisited: The 16th Amendment

By WILLIAM H. PETERSON
Graduate School of Business Administration, New York University

Commenting on recent book by Frank Chodorov—"The Income Tax—Root of All Evil"—Dr. Peterson reviews its contents and draws the conclusion from it that the 16th Amendment must be repealed, and Federal income taxes abolished. Cites movements under way to accomplish this.

"For those of us who still believe that freedom is best," says Governor J. Bracken Lee of Utah in a foreword to Frank Chodorov's newly released "The Income Tax—Root of All Evil," "the way is clear: we must concentrate on the correction of the mistake of 1913. The 16th Amendment must be repealed. Nothing less will do." Thus it is clear that the omnibus 875-page Tax Revision Bill, the culmination of a year of joint effort by the Treasury Department and the House Ways and Means Committee "to eliminate tax inequities," will far from satisfy the anti-income taxers who hold that the income tax *per se* is the greatest inequity of all.

Dr. W. H. Peterson

Frank Chodorov, Editor of the right-wing periodical "Human Events," contends that America has undergone two revolutions: 1776 and 1913, the first positive and constructive, the second negative and destructive; the first resulting in freedom, the second in subjugation. Significantly, both revolutions were tax revolutions.

The first tax revolution—the American Revolution—reaches back to the years immediately preceding the American Declaration of Independence. The British began losing their prize colony tax by tax. The taxes imposed by Parliament in the Currency Act and the Sugar Act stirred rebellious sentiments among the colonists. Then when the British taxed the colonists' newspapers, deeds, marriage licenses, etc., in the Stamp Act of 1765, the dam of resentment broke. A Stamp Act Congress backed by nine colonies was called in New York. A Declaration of Rights was issued by the Congress condemning "taxation without representation." Patrick Henry, delegate from Virginia, threw down the gauntlet: "If this be treason, make the most of it." The British backed down; the Stamp Act was repealed in 1766.

But the British learned their history the hard way. They set new taxes upon the colonists—on paper, glass, painter's lead, and tea. The tea tax was the last straw. "Indians" dumped whole cargoes of tea into Boston Harbor, and the British dispatched four regiments to Boston to quell the "insurrection." But Sam Adams and his "Sons of Liberty" raised the rallying cry of "Life, liberty, and property!" which was originally drafted into the Declaration of Independence and later embodied in the Fifth Amendment and repeated in the Fourteenth. The tax revolt became the American Revolution.

1776 was a turning point to the British in still other ways. In that year Adam Smith challenged George III and the statism of that era known as mercantilism with the publication of his "Wealth of Nations." In this book, Smith called for a free market economy and warned all nations that any tax which discouraged either the production or the accumulation of wealth is a bad tax. The people would be poorer and the ability to pay taxes correspondingly diminished. Smith and his fellow-countryman Edmund Burke stood for *laissez faire* government.

In this light, it becomes clear why the 13 founding states refused the Federal Government the power to tax in the Articles of Confederation. "States' Rights" would be jeopardized by what Chief Justice John Marshall later described in 1819—"the power to tax involves the power to destroy."

The restriction against Federal taxation was too severe. The infant nation remained feeble. Greater financial sustenance was needed than the handouts the states chose to give the central government. The delegates to the Constitutional Convention of 1787 understood this.

But the delegates also understood that the seizure of property under the guise of taxation would spell the end of the great experiment in responsible self-government. A compromise was necessary—but how?

The sage men at Philadelphia—Washington, Madison, Franklin, Hamilton, and others—devised a remarkable formula. Spelled out, the formula reads (Article I, Section II) "Representatives and direct taxes shall be apportioned among the several States . . . according to their numbers"; (Article I, Section VII) "All bills for raising revenue shall originate in the House of Representatives"; and, apparently repeated for greater emphasis, (Article I, Section IX) "No capitation or other direct tax shall be laid, unless in proportion to the census or enumeration hereinbefore directed to be taken [every 10 years]."

Protection from Minorities

Thus was the Constitution designed to protect property from expropriation and minorities from exploitation. An income tax, since it would conflict with population proportionality, would conflict with the Constitution. All taxes, the Constitutional fathers must have reasoned, are fraught with dangers to liberty, particularly income taxes, records of which ran back to Biblical times. The Constitution places no similar income tax restriction upon the States. But the States had to compete for population. Taxes too harassing, people and property would move to a more hospitable state. The Constitutional tax theory may have been amplified later by Daniel Webster: "There is not a more dangerous experiment than to place property in the hands of one class and political power in the hands of those of another. . . . If property cannot retain the political power, the political power will draw after it the property."

Marx and Engels recognized the revolutionary potential of the income tax, particularly the progressive income tax. It was a means to their end of communism. In their "Communist Manifesto" (1848), they wrote: "The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie. . . . Of course, in the be ning this cannot be effected ot b means of despotic inroads on the rights of property and on the conditions of bourgeois production. . . . These measures will, of course, be different in different countries. Nevertheless in the most advanced countries the following will be pretty generally applicable . . . a heavy progressive or graduated income tax."

The stage was set for the second tax revolution of 1913 when the income tax 16th Amendment was passed. Two income tax laws were tried prior to 1913. One was a Civil War tax, which carried its own terminating provision; and the other was in 1894, which was voided by the Supreme Court a year later. But William Jennings Bryan and the radical Populist Movement strongly endorsed the income tax along with free silver in the 1893 campaign. President Theodore Roosevelt shocked Republicans in 1906 by declaring himself in favor of graduated income and inheritance taxes to level off inequalities of wealth.

Hull Fathered Tax

The chief actor on the stage was a young Congressman from Tennessee, Cordell Hull, later Secretary of State during the New Deal. He made studies of income tax legislation here and abroad. He introduced income tax measures as early as 1907. He prepared speeches for Senators. Resistance weakened. A few charged the tax was "communistic" and warned that it would make the U. S. "a nation of liars." One Senator protested that the tax would rise to the confiscatory level of 10%. He was shouted down in derision.

The 16th Amendment of 1913 became a fact. The protection the Constitutional fathers had provided one and a quarter centuries previous was undone. Said the Amendment: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states and without regard to census or enumeration." President Wilson, who had said in the 1912 campaign "liberty has never come from government" and "the history of liberty is the history of limitation on government—not the increase of it," assured the nation the use of progressive income tax legislation would be used in emergencies only, if at all. Weeks later, however, John Nance Garner, Congressman from Texas and later Vice-President during the New Deal, successfully introduced a bill carrying a normal tax of 1% and a progressive surtax ranging up to 6% on incomes to $500,000.

"Soak the Rich" Doctrine

By the time of the New Deal, income tax rates had climbed and personal exemptions had fallen. Corporations paid. Revenue no longer was the sole end of income taxation. It became a means of "soaking the rich" and "redistributing the wealth." President Franklin D. Roosevelt said: "In 30 months we have built up new instruments of public power. In the hands of a people's government the power is wholesome and proper." Incomes were taxed to provide "social security." The vast revenue released by the 16th Amendment provided a host of other federal "services." A costly program for farmers. Public housing. Grants-in-aid to the States for highways, hospitals, and education.

Since 1913 "states' rights" have deteriorated. Centralization has advanced. Individual tax rates for 1954 range up to 91%. Hence, the Frank Chodorov-Governor J. Bracken Lee contention that the 16th Amendment constituted the second American revolution and "the root of all evil."

What to do about the income tax situation has, of course, produced different answers. Some say leave it alone. Some say knock out progressive taxation, leaving substantially proportional taxation, which, surprisingly, the Soviet Union did in 1943. The Tax Foundation says a 100% confiscation of individual incomes above $10,000 would add $4.7 billion, enough to run the Federal establishment for but four weeks. Along these lines, 28 states out of a necessary 32 have approved a proposed amendment to limit Federal income tax rates to a maximum of 25%. Suppose there were no progressive taxes and all incomes were taxed at the flat rate of 20%? The following table, based on figures supplied by the Tax Foundation, is revealing:

Maximum Tax Rate	Loss in Revenue
75%	$171,000,000
50%	1,076,000,000
26%	3,691,000,000
20%	5,354,000,000

A footnote to the Tax Foundation revenue loss figures is necessary. The figures do not take into account the result of revitalizing capital accumulation and the incentive to produce from leveling down tax rates. Industrial prosperity and individual well-being may more than offset the revenue loss.

Some go further than merely calling for proportional taxation. They endorse the Chodorov-Lee proposition to abolish Federal income taxation altogether. A Committee for the Repeal of the 16th Amendment has been formed with headquarters in Beverly Hills, Calif. Rep. Frederick Coudert (R., N. Y.) has introduced a joint resolution in the House (H.J.R. 16) calling for the repeal of the 16th Amendment. The case of this group hinges on the trend to centralization and socialism. The case merits examination.

Whatever the answer, what happens concerns all Americans.

City Bank Group to Present Comedy

An original musical comedy entitled "Collateral" will be presented by the City Bank Club Dramatic Society on June 10 and 11 at the Julia Richman High School, 67th Street and Second Avenue, Manhattan. The script, music, lyrics and sets were all created by the players, members of City Bank Club, social organization of The National City Bank of New York and City Bank Farmers Trust Company.

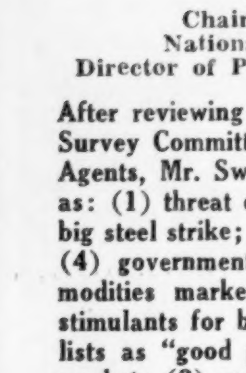
The cast of "Collateral" numbers about 60 people, with a production staff of 40, headed by Arthur E. Kavanagh, a member of the Bank's Comptrollers Department. The 17 songs used in the show, which will be open to the public, were all composed by the employees themselves within the last few months and will be presented by a professional pit orchestra.

The Business Outlook

By ROBERT C. SWANTON*
Chairman, Business Survey Committee
National Association of Purchasing Agents
Director of Purchases, Winchester Repeating Arms Co.

After reviewing business trends as reported by the Business Survey Committee of the National Association of Purchasing Agents, Mr. Swanton lists "bad points" in business prospect as: (1) threat of war and wartime restrictions; (2) threat of big steel strike; (3) gloomy predictions for political purposes; (4) government tinkering here and abroad with basic commodities markets; and (5) pressure to apply government stimulants for boosting the economy. Counteracting these, he lists as "good points": (1) orderly transition to a buyer's market; (2) speedy readjustments; (3) a high level of public confidence; and (4) population growth. Says survey on business is "conservatively optimistic."

Because of its wide acceptance as an industrial business indicator by business analysts and economists, many people think of the N. A. P. A. Survey as an economic study, and that is far from the fact. We try to make a current survey, not a poll, of industrial purchasing facts, policies and opinion. Dr. Luedicke, in his magnificent analysis of our survey published last Fall, drew the apt comparison between polls and surveys as the difference between a scatter shot approach and the target rifle. We do not follow nor are we bound by any pet economic theories or statistical series, nor do we try to prove or disprove any of them. Remember, we are engaged in and report on only one of the many segments of our vast and complicated economy.


Robert C. Swanton

The Survey reported:

In May, 1953—Soft spots—falling orders—static employment—inventory reduction — entering buyers' market.

June — Orders down — prices levelling—production high.

Skipping July—

August—Pickup not as brisk as anticipated — Opinion that Fall and Winter usual upswing would be a slow starter—orders down—industry very inventory conscious.

September—No improvement—conditions appeared almost parallel with those of September, 1948, when the stage was being set for 1949 recession. The exception, unworked material inventories were in better shape. Expected business would taper off during the 4th quarter.

October — Down trend continued. Prices showing more weakness than strength. Employment cutbacks. Production cutbacks narrowed the previously expanding gap between lower orders and lower production. Corrective measures were beginning to take effect.

November—Still a slow downward pace. Production cuts closed that gap a little more. Prices soft to static. Employment lower. Down trend has not been sharp or expected to be.

December — Activity showed more of a seasonal pattern. Held at November levels until middle of month and then rather sharp order and production decreases. Employment down.

And then we stuck our necks out with our forecast for 1954. In the face of the prevailing gloomy forecasts, some politically inspired Purchasing Agents were more optimistic than they had been for several months. By better than 2 to 1 they estimated that industrial production and orders would halt the gradual decline and even strengthen somewhat, beginning in the first quarter and going through the second quarter of 1954. No sharp upswing. The predominant opinion was that business would be good, though less than 1953.

I did not mention the statistics then, but the estimates of business contraction in 1954 from 1953 ran all the way from 3% to 15%, the large majority between 5% and 10%. Plans for capital expenditures were optimistic — almost as large as 1953. Again, as in 1953, the capital expenditures were earmarked for modernization facilities to cut costs, rather than for capacity expansion.

January — Started slow and picked us some momentum at the end of the month. Orders and production both down again but at a slower pace than December. Buyers were not pessimistic, found that the transition into a buyers' market had so far been orderly. Still believed a levelling off would come in the first quarter, with an upward trend possible.

February—All of the industrial business factors we report on in the survey except one were down at about the same rate as January. That one bright spot was new orders. For the first time since March of '53, the same number reported order increases as did decreases, and that number, 30%, was the highest reporting increases in any month since January, 1953. The lag gap I mentioned was down to 2 points. The widest gap during the decline was 15 points, shown in September. Production was about in balance with orders for the first time.

March—Production and order increases both out-balanced decreases in our report for the first time since last May. The individual changes were not large and the reversal of the trend was not strong enough to indicate a sharp upswing. It was quite apparent the industrial business decline had abated and levelled out. Prices began to show some strength.

April — For the second month industrial orders and production increases were higher than decreases and again they were not large in proportion, but did indicate a firming up of industrial business and gradual improvement through the second quarter. Prices stronger — inventory correction continued — and employment turned up a bit. Indo-China war scare and talks of a steel strike had not changed the conservative buying policy of many months.

The May Survey released yesterday and which will be in your Bulletin this week says, and I will only quote the summary:

"Gradual improvement in general industrial activity at about the same moderate rate as last month, is reported by the majority of the N. A. P. A. Business Survey Committee. For the third consecutive month those reporting increases in orders and production top decreases by a comfortable margin. The lowest number reported decreases since last June. Industrial material prices are firm but failed to show the trend to strength reported in April. The softening appears to be in fabricated items more than in basic materials. Purchased material inventories, though still on the down trend, indicate that correction has been completed by the majority of this class of inventory, as 64% report holding or moderately increasing stocks. Employment trend is slightly up. Buying policy of conservative short-range, expected to continue as long as present availability of materials exists.

"Over-all, the statistics and the comments show purchasing executives, barring strikes and war, to be optimistic for steady, gradual improvement in industrial business for some time to come."

Future Outlook

That brings us up to date, a review of a year that has the peak of all-time production and sales. And a gradual recession or contraction from that peak. The present indications are for what? . . .

For my part, based on the voluminous reports and comments of my colleagues on the Survey Committee, I would hazard a guess that things are not going to be too bad—might even be real good. We know there are bad points and good points. Let's see how they weigh out.

Bad Points

(1) Threat of more war with its controls, restrictions and scarcities—taxes.

(2) Threat of big steel strike.

(3) Gloomy economic predictions for political purposes.

(4) Governmental tinkering, both here and abroad, with supply and demand of important basic commodities.

(5) The pressure groups' insistence for government stimulants to boost the economy.

There are not many of the bad points. Some of them may never happen, though threats of war and strikes do cast a cloud of uncertainty over the efforts to adjust to more normal economic conditions. Others may be tempered by the growing strength and stability of our free enterprise system.

Good Points

(1) The orderly manner in which we have moved from the boom of 1953 into a buyers' market. By the way, if a buyers' market is bad for business, this country has thrived and grown great on poor business, because we have had many more years of buyers' than sellers' markets.

(2) The speed with which adjustments have been made. Management has proven itself alert, strong and in control. Not hesitant, panicky or floundering. Think! Twice within six years, ('49 to '54), we have moved into and out of recessionary periods without a collapse — Orderly. I like that word.

(3) Then there is the confidence in the future of management, bankers, investors. Those plans and commitments for 1954 capital expenditures, almost as great as '53, were made after we had experienced several months of declining business, and most of it is being spent to modernize, bring down costs, make more goods available to more people at prices they can afford to pay —the American way to progress.

(4) Just the other day Washington reported we had passed the 162 million population mark. It takes a lot of business to take care of that number of people just to maintain the present standard of living.

(5) And this is as fresh as yesterday: For the purpose of this talk we asked the Survey Committee members, "What do you see ahead? How far? What do you anticipate?" In analyzing statistics, trends and opinions as I have for so many years, I have come to the conclusion that the time to be most skeptical of the facts is when there is unanimity of opinion. The replies of these questions are divided. There is a predominant opinion and it is good.

Hedging as to steel strike and/or war, the forecasts fall into some very interesting brackets. Ninty-three percent see moderate improvement continuing through June. Seventy-two percent, adjusting for industrial plant closings for vacations, carry this trend through the third quarter. Forty-eight percent believe that aggressive sales plans now under way will continue the upward movement until the end of the year. Only 7% predict a further falling off in their business. Now these statistics are impressive, and considered alone would be over-optimistic. No boom, no quick upsurge is indicated by the comments of the committee members. All through the reports the words "gradual," "moderate," "normal" appear as descriptive of the forecast changes.

Dr. Luedicke, in that fine survey he made of us, said he found no constant bullish or bearish bias in our analytical work, but a decided bias toward caution and conservatism. Right now we seem to be conservatively optimistic.

*An address by Mr. Swanton before the National Association of Purchasing Agents Convention, Chicago, Ill., May 24, 1954.

Allen & Co. Sells Assoc. Oil & Gas Shs.

Allen & Co. on June 4 offered publicly 900,000 shares of capital stock of Associated Oil & Gas Co. at $3 per share. This offering was quickly oversubscribed.

Of the total net proceeds from the sale of the stock, the company plans to use approximately $330,000 to repay short-term bank loans and about $630,000 for the presently planned development of its properties. The balance of the proceeds will be added to the company's general funds to be used for working capital.

Associated Oil & Gas Co. is engaged primarily in exploring, acquiring interests in, developing and operating oil and gas properties and in purchasing, gathering and selling natural gas. In 1953, the company's certificate of incorporation was amended to enable it to engage also in the business of owning and renting to others machinery and equipment used in drilling and operating oil and gas wells. As of May 1, 1954, the company owned working interests in oil and gas leases under approximately 31,906 acres, including 29,980 acres in which it owns the entire working interest. All acreage is located in South Texas along the Gulf Coast trend, except 1,982 acres of wildcat holdings in Franklin and Medina Counties, Texas.

Twin City Bond Club Ann. Picnic June 17

MINNEAPOLIS, Minn. — The Twin City Bond Club Annual Picnic will be held June 17 at the White Bear Yacht Club.

Headquarters will be the Nicollet Hotel, Minneapolis. A cocktail party on the evening of June 16 will be held at the hotel for all members and guests.

Continued from first page

A New Look at Regulation Of Electric Power Companies

a button to get the correct answers to our regulatory problems. In this legal-economic-social area, we still have to search for the answers the hard way, by thinking them out, aided and assisted, but not always expedited, by debate.

The early attempts in this country to regulate utility rates were through direct action by legislatures. Many statutes were enacted after the war between the States, fixing railroad rates, generally on the basis of so much per passenger-mile. Regulation through the franchise was also tried, but this method, while still used occasionally, did not provide the means of obtaining the desired result.

From a small beginning in the last half of the eighteenth century, there developed, particularly during the first 25 years or so in the current century, the commission form of regulation. When I think of the size of your industry—with total assets of some $25 billion—and when I ponder the complex regulatory problems in this complicated economic age, I have no difficulty in concluding that rate regulation by the direct legislative process, or by the inflexible franchise has no place in the modern scheme of things. The task calls for specialization. It calls for an impartial agency, adequately staffed by experts, which is the theory, perhaps not always realized in practice, of our modern public utility commission.

One of the primary aims of utility management is to secure what it considers to be adequate revenues; one of the main responsibilities of commissions is to see that the rates according to which the revenues are collected, are just and reasonable. Unjust, unreasonable and unduly discriminatory rates are generally prohibited by law. In the field of rate making one would not expect the views of the utility, the consumer and the regulatory commission exactly to coincide. As a matter of fact, in this field we frequently find wide differences of opinion, not only as to the rates themselves, but also, as to the standards to be employed in determining them.

Rate Standards Essential

In my opinion, standards for determining the level of rates for utility services are absolutely ncessary if a competent regulatory job is to be done. This would now seem a truism, but it has not always been so.

Two years before Edison invented the electric light bulb, the Supreme Court of the United States handed down a decision which, I believe, was the first one in the field of public utility rate regulation. In "Munn vs. Illinois" 94 U. S. 113 (1877), the Court held that ratemaking was entirely a legislative process which was not reviewable by the courts. I am sure that all of you have heard many times the oft-quoted statement of the court in that case: "For protection against abuses by legislatures the people must resort to the polls, not the courts."

By degrees, however, the Supreme Court departed from this holding that no standards of ratemaking were required as a constitutional test of reasonableness. Finally in 1898, as you know well, the court effectively reversed its holding in the Munn case and held that rates must be fixed so as to yield a fair return on the fair value of the properties used and useful in the public service.[1] Thus in 1898 a judicial standard—fair value rate base — emerged. I would like to emphasize that this was a judicial as distinguished from a legislative standard. It was based upon legal, rather than economic or social reasoning. It was rooted deeply, by analogy, in the law of eminent domain.

The fair value principle was tried for close to 40 years. But during this period it was far from free of criticism. In the 1920's, when regulation by commisions had become widespread, it came under a heavy barrage of attack. The Supreme Court itself, beginning in 1923, when it decided the "Southwestern Bell Case"[2] was divided on the question as to whether the fair value base was a constitutional requirement.

The Committee on Progress in Public Utility Regulation of the National Association of Railroad and Utilities Commissioners in 1941 said "the entire [fair value] procedure has been criticized more than it has been defended."[3]

Those parts of the Federal Power Act which give the Federal Power Commission jurisdiction over wholesale interstate rates of electric utilities became law in 1935. The Natural Gas Act, which is also administered by the Commission, was enacted in 1938. These Acts, which are practically the same as to rate-making standards, do not require rates to be fixed with reference to a fair value rate base. In the leading case of "Federal Power Commission vs. Hope Natural Gas Company," 320 U. S. 59, decided in January 1944, the Supreme Court held that the fair value rate base was no longer required as a matter of constitutional law.

Since the decision in the Hope case, regulatory commissions have shown by a great preponderance of opinion that they favor the investment (sometimes called the "prudent investment," "net investment" or "original cost") rate base. It is true that some state commissions which have attempted to use the investment base have been enjoined by the courts on local statutory grounds. These decisions were based on statutory law, however, and not constitutional requirements.

A study now in progress by the Federal Power Commission indicates that the investment method of evaluating utility facilities to determine the rate base, is used by about 32 out of 49 commissions responding to a questionnaire. In addition, some of the commissions which purport to use the fair value base, appear to treat fair value as synonymous with investment and a few others make only a relatively minor adjustment to cost figures in reaching the value base. I believe it can reasonably be said, therefore, that in the last decade the investment rate base has greatly predominated in the determination of just and reasonable rates for public utility service. It might be noted that this, generally speaking, has been a period of high prices when fair value would quite naturally be expected to exceed net investment.

Tests of the "Investment" Rate Base

Thus we have had a reasonable test of the investment principle. What has that test shown?

First, the electric utility industry has enjoyed its greatest expansion during this period. Thus at the end of 1943, utility plant of all Class A and Class B companies stood at $14.8 billion; at the end of 1952, the last year for which we have the figures, such utility plant amounted to $25.7 billion.

Operating revenues of electric utilities increased from $3.4 billion to $6.5 billion during the same period.

Common stock dividends increased from $285 million in 1943 to $595 million in 1952. Surplus increased in this period from $1 billion to $2.1 billion.

The natural gas industry likewise enjoyed unprecedented expansion from 1943 to 1952. During this period the Federal Power Commission issued certificates of public convenience and necessity authorizing approximately 55,000 miles of pipe lines and four million horsepower of compressor station capacity. According to "Gas Facts," a publication of the American Gas Association, natural gas revenues of utilities in 1943 amounted to $623 million whereas in 1952 they amounted to $1.9 billion.

The growth of the natural gas pipe line business has been phenomenal in the last decade. It is common knowledge that the Federal Power Commission uses the net investment rate base in its regulation of the rates of natural gas companies subject to its jurisdiction. In the recent decision in the "Panhandle Eastern Pipe Line Company Case," the Commission allowed the commodity value of gas produced by the company in lieu of cost of production. The Commission was careful to point out that this decision related to a problem peculiar to the production of a natural resource and it strongly affirmed its position that the net investment base was altogether appropriate for normal public utility properties.

In the five-year period ended on Dec. 31, 1953, the total new corporate financing in the United States amounted to $31.7 billion according to the *Commercial and Financial Chronicle*.[4] Utilities accounted for $14.6 billion or 46% of the total. This is a splendid showing. It shows what we know to be a fact, that there has been no dearth of capital to finance the great expansion in utility facilities and services during this period.

Thus the record of the electric utility and the natural gas pipe line business, as well, has been an excellent one in the last decade or so. It was during this period that the investment rate base had its greatest recognition in actual practice. Its use in this period was widespread. The method has had an adequate test in a period of rather severe inflation. During this period electric utilities have prospered and their rates have been remarkably firm even under great inflationary pressures. In my opinion, the record shows that the investment rate base method has worked well.

Accordingly, I come to these conclusions: (1) a reasonable standard for the determination of just and reasonable rates for utility service is required for the protection of the utility, its investors, its consumers and the public generally; and (2) the most appropriate standard at this stage of the development of the regulatory art is a fair return on the net investment in properties used and useful in the public service, plus required working capital.

Fair Rate of Return

The second element in the rate standard is fair rate of return. The Federal Power Commission, in spite of many statements to the contrary, does not have a set rate of return. It considers all the relevant facts before reaching a conclusion in a given case.

Of course, students of regulation do not expect to find a wide band of rates of return allowed the large electric and gas utilities. In our recent natural gas cases

Continued on page 28

1 *Smyth v. Ames 169 U. S. 466.*

2 *Southwestern Bell Telephone Co. v. Public Service Commission* 262 U. S. 276.

3 National Association of Railroad and Utilities Commissioners, 53rd Annual Proceedings (1941) page 370.

4 Issue of May 10, 1954.

Continued from page 27

A New Look at Regulation Of Electric Power Companies

the rate of return we have found reasonable has ranged from 5½% to 6¼%. Because of the similarities of business, growth and financing among these companies I would not expect to find such differences in the financial facts and economic situations as would call for very wide variations. To reiterate, however, the Commission does not have a standard percentage as the fair rate of return in all cases, out makes its findings from the facts of record. In addition we must expect the rate of return to change with changes in financial and economic conditions.

The Commission has been criticized for allegedly paying too much attention to the cost of money in arriving at a fair rate of return. Cost of money, while not the exclusive measure of the rate of return, is certainly a necessary ingredient thereof. Obviously, no utility could prosper if it is not permitted to earn its reasonable cost of capital, including fair amounts for the common equity.

There is nothing novel in emphasizing cost of capital, in fixing the rate of return. This is made clear in a 1953 report of a committee of the Public Utility Section of the American Bar Association in which it is stated that "The cost of money continued to be a major factor in fixing rates of return . . ."[5]

[5] Report of the Standing Committee to Survey and Report as to Developments During the Year in the Field of Public Utility Law 1953, page x.

The rate of return is necessarily a judgment determination; the cost of money is not an exclusive test, but it must necessarily be considered in exercising judgment.

It is interesting to note the remarkable stability in electric utility income in the decade from 1943 to 1952. Expressed as a percentage of net invesment, utility operating income of Class A and Class B companies amounted to 5.9% in 1943, reached a high of 6.9% in 1945 and 1946 and a low of 5.6% in 1951. In the five years from 1948 to 1952 the percentage returns were: 6%, 6.2%, 6%, 5.6%, and 5.8% respectively.

It is also interesting to note the earnings on common equity (common stock and surplus). For the years 1948 to 1952 respectively they were as follows: 9.9%, 10.6%, 10.6%, 9.5% and 10.2%. These earnings were not only stable, but also were, I believe, at a reasonable level.

FPC and Securities Issues

The Federal Power Commission has limited jurisdiction over the security issues of electric utilities engaged in interstate commerce. The Commission's authority does not extend to a "utility organized and operating in a State under the laws of which its security issues are regulated by a State commision."

The Commission has a competitive rule with respect to security issues. It grants exemption from this rule only upon a genuine showing of good cause. I believe the rule has worked well.

In the last year it has come to the Commission's attention that, in certain negotiated sales, indentures restrict refunding for an unreasonable period or prohibit refunding unless the interest rate on the refunding issue is as high as the rate on the issue to be refunded. I believe these provisions are inimical to the public interest, and should not be approved. As far as I can learn, they are not included in indentures of securities sold under competitive bidding.

We have seen substantial changes in interest rates in the last year. Under these conditions it seems to me that the best way to secure a fair price for debt securities is through the competitive bidding procedure.

The electric utility industry as a whole is in a strong financial condition. It is doing a good job of rendering adequate service at what appears, again on the whole, to be reasonable rates. I am sure I speak for all regulators when I say we will do our utmost to keep it that way.

I congratulate you on your 75th birthday. I wish you, in the language of my calling, many happy years of adequate service at reasonable rates.

White, Weld Group Underwrite American Cyanamid Offering

American Cyanamid Co., one of the largest chemical and pharmaceutical firms in the United States, on June 3 offered to holders of its common stock rights to subscribe for 580,235 shares of 3¾% cumulative convertible preferred stock, series C, at par ($100 par value). at the rate of one share of preferred for each 15 shares of common held of record June 1, 1954. Transferable warrants expire at 3:30 p.m. (EDT) on June 17, 1954.

White, Weld & Co. heads a nationwide group of 121 investment banking firms underwriting the offering.

Prior to July 1, 1964 the preferred stock is convertible into common stock at $50 per share of common.

The net proceeds from the new issue will be added to the cash funds of the company and will be available as increased working capital and for other general corporate purposes, including capital expenditures for new plant facilities for extensions, additions and improvements to existing plants and research laboratories.

The new preferred stock is callable at $104 per share to June 30, 1955, thereafter at prices decreasing by 50 cents per share annually to June 30, 1962, and thereafter at $100 per share.

Through various divisions the company manufactures and sells hundreds of different products and renders various services. The largest division, Lederle Laboratories, accounted for 25% of consolidated net sales during 1953. Other divisions manufacture organic, industrial, agricultural and fine chemicals, plastics and resins, pigments, surgical sutures and ligatures. Chemical Construction Corp., a subsidiary, designs and constructs chemical plants.

American Cyanamid also owns 49% of the outstanding stock of Southern Minerals Corp., Southern Petroleum Corp., and Southern Pipe Line Corp. and 50% of the stock of Jefferson Chemical Co., Inc., Arizona Chemical Co. and Lederle (Japan), Ltd.

During the five years 1949 to 1953 the company made capital additions of $190,206,312 with $67,346,969 being expended in 1953. For this same period, net sales increased from $237,730,655 to $380,393,340, and net earnings from $16,149,513 to $27,472,697. Sales for the three months ended March 31, 1954 were $98,205,113 and net earnings were $7,203,476.

With King Merritt Co.

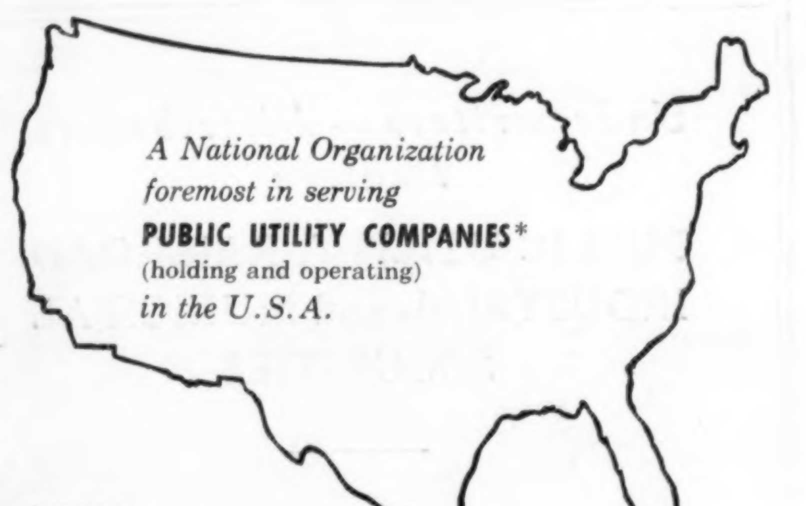
(Special to The Financial Chronicle)

VISALIA, Calif.—Caryl C. Turner has become connected with King Merritt & Co., Inc. He was previously with Davies & Co. and James Ebert Co.

With Paul C. Rudolph

(Special to The Financial Chronicle)

SAN JOSE, Calif. — Boyd S. Eckard is now with Paul C. Rudolph & Company, Bank of America Building.

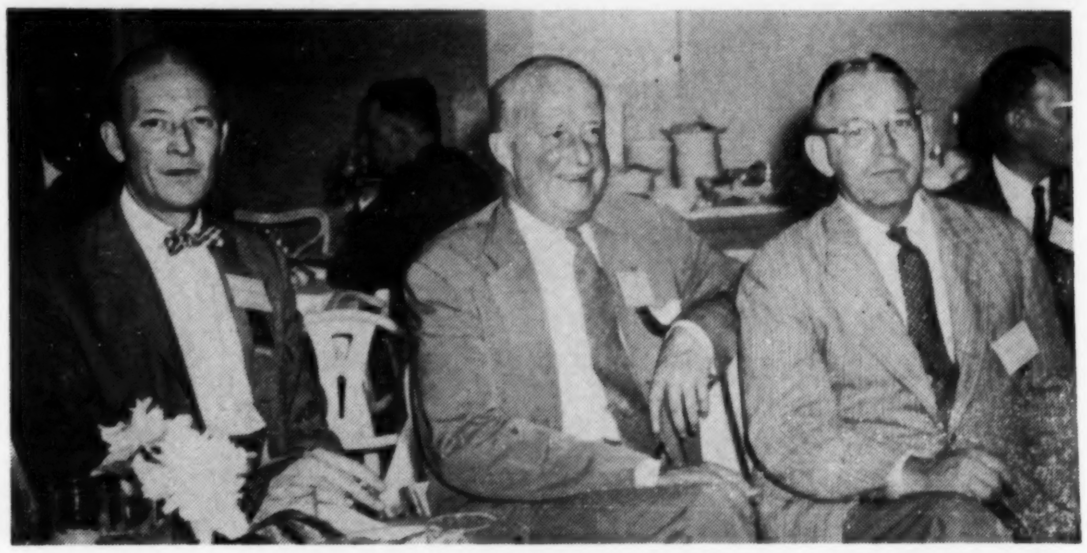


The Bond Club of New York

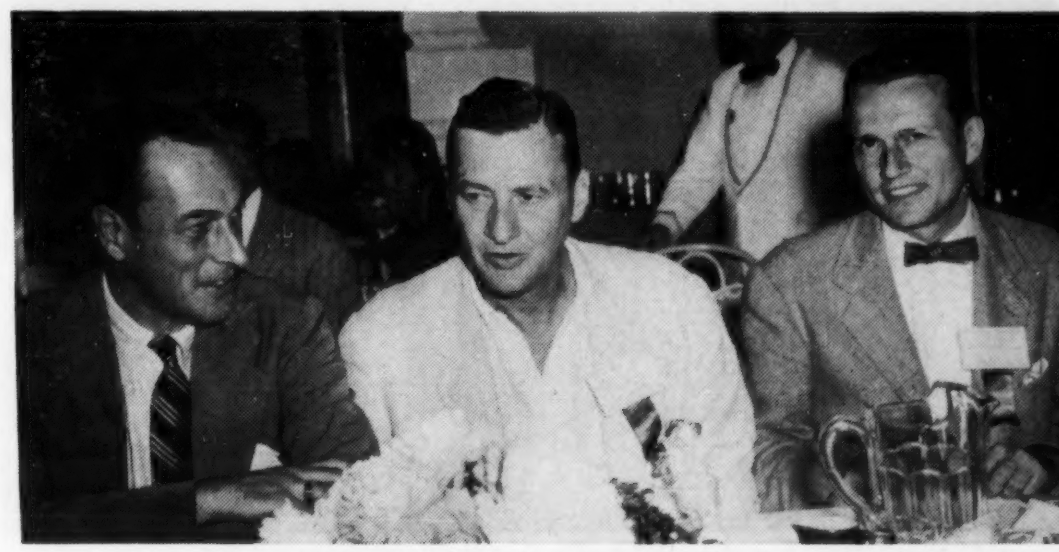
Wright Duryea, *Glore, Forgan & Co.* (retiring President of the Bond Club); Ranald Macdonald, *Dominick & Dominick* (incoming President)

Walter F. Blaine, *Goldman, Sachs & Co.;* Wickliffe Shreve, *Hayden, Stone & Co.*

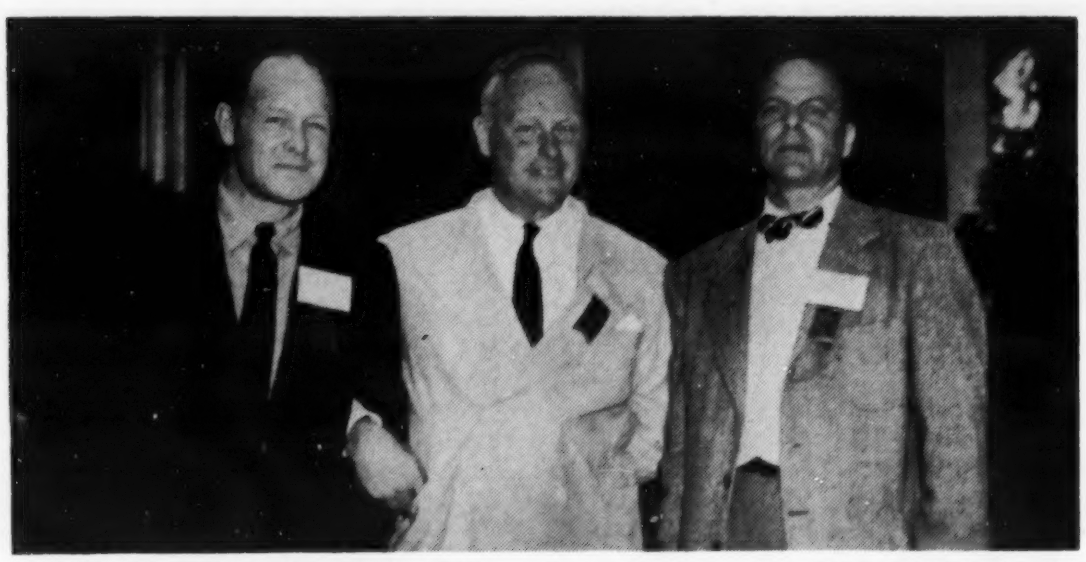
Hal E. Murphy and Edwin L. Beck, *Commercial & Financial Chronicle*



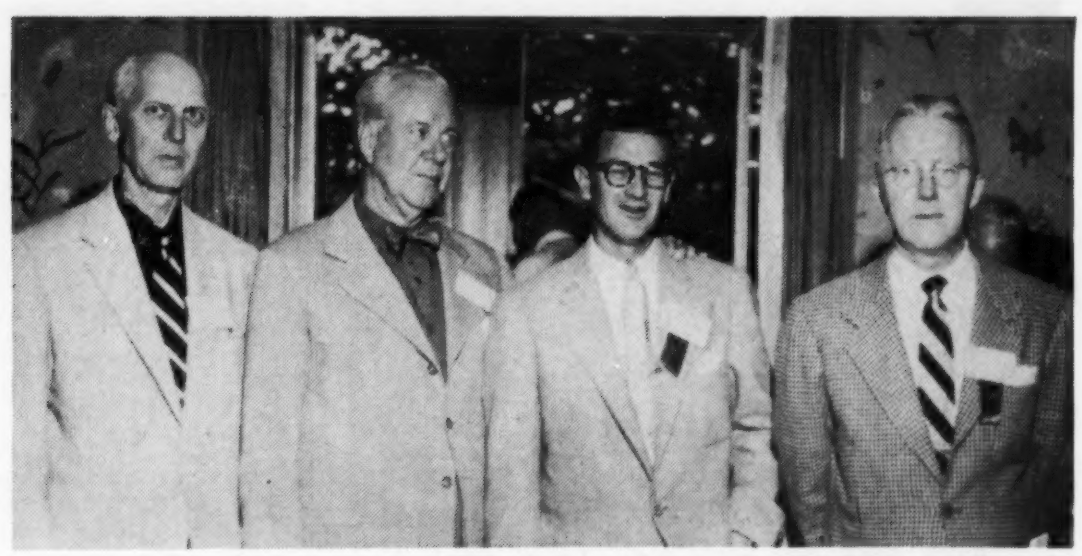
Ernest W. Borkland, Jr., *Tucker, Anthony & Co.;* Duncan R. Linsley, *First Boston Corporation;* Harold H. Cook, *Spencer Trask & Co.*



Hudson B. Lemkau, *Morgan Stanley & Co.;* Paris Scott Russell, *Gore, Forgan & Co.;* Ralph Hornblower, Jr., *Hornblower & Weeks*



Richard A. Woods, *Merrill Lynch, Pierce, Fenner & Beane;* John Wilson Dayton, Jr., *Clark, Dodge & Co.;* William M. Cahn, Jr., *Henry Herrman & Co.*

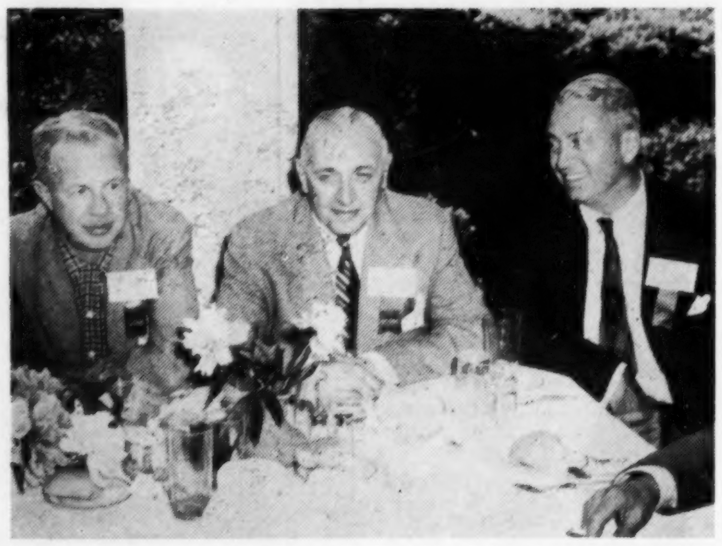


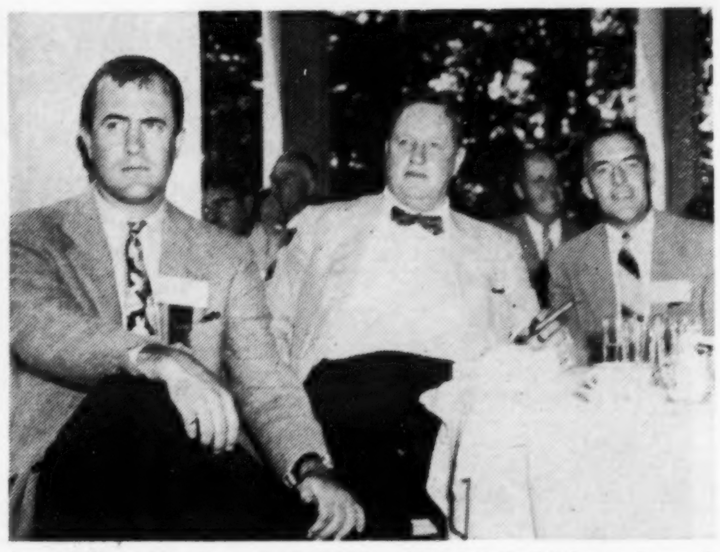
Theodore W. Hawes, *Wertheim & Co.;* Richard C. Noel, *Van Alstyne, Noel & Co.;* William R. Caldwell, *First Boston Corporation;* George T. Flynn, *Hornblower & Weeks*

Eugene Bashore, *Blyth & Co., Inc.;* Lee M. Limbert, *Blyth & Co., Inc.;* George S. Moore, *National City Bank of New York;* Lloyd S. Gilmour, *Eastman, Dillon & Co.*

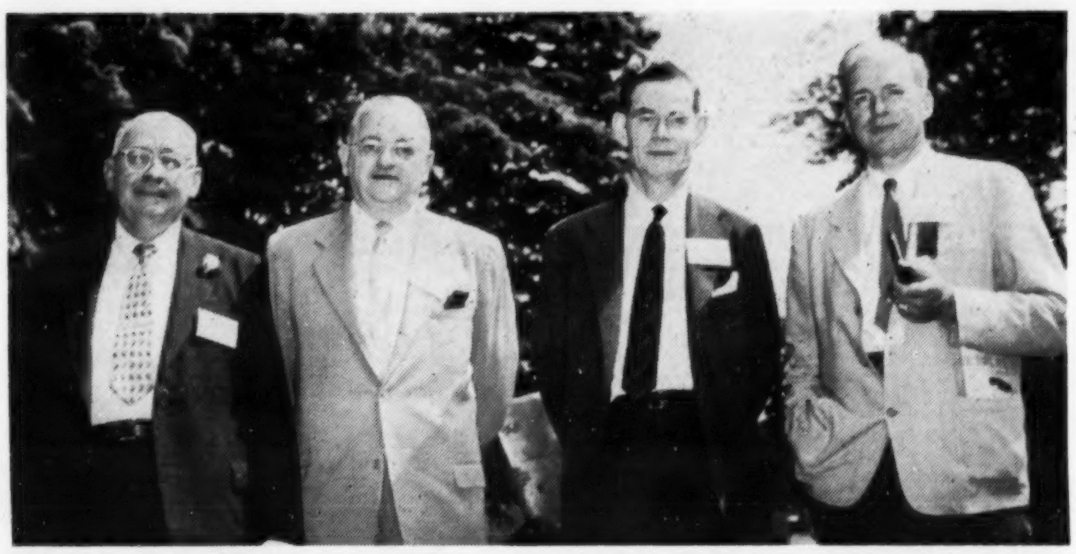
Gordon B. Whelpley, *Goldman, Sachs & Co.;* Brooke L. Wynkoop, *Fahnestock & Co.;* E. Jansen Hunt, *White, Weld & Co.;* John W. Valentine, *White, Weld & Co.,* Boston; Thomas McPhee, *Drexel & Co.*

30th Annual Field Day


Edgar J. Loftus, *R. S. Dickson & Co., Inc.*; Joseph Ludin, *Dillon, Read & Co., Inc.*; Robert J. Lewis, *Estabrook & Co.*


Dean Witter, Jr., *Dean Witter & Co.*; Wendell R. Erickson, *Stone & Webster Securities Corporation*; James D. Topping, *J. D. Topping & Co.*


Robert G. Dillon, *Dean Witter & Co.*; John P. G. Moran, *National State Bank*, Newark, N. J.; Sydney G. Duffy, *Blyth & Co., Inc.*


Robert E. Nowlan, *Stroud & Company, Incorporated*; Elmer F. Dieckman, *Glore, Forgan & Co.*; Harold J. Schluter, *First National Bank of Chicago*; Francis B. Bowman, *Chase National Bank of N. Y.*


Edwin W. Laffey, *W. C. Langley & Co.*; Frank E. Gernon, *Carl M. Loeb, Rhoades & Co.*; John C. Curran, *Singer, Deane & Scribner*; Frank M. Stanton, *First Boston Corporation*


Austin Brown, *Dean Witter & Co.*; Lee W. Carroll, *Lee W. Carroll & Co.*, Newark, N. J.

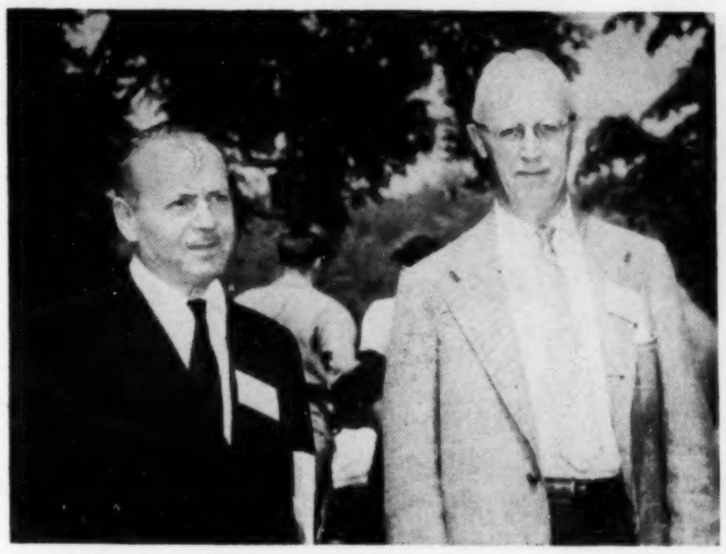

Albert C. Purkiss, *Walston & Co.*; Francis A. Cannon, *First Boston Corporation*


James B. Whitley, *Halsey, Stuart & Co., Inc.*; Paul Devlin, *Blyth & Co., Inc.*

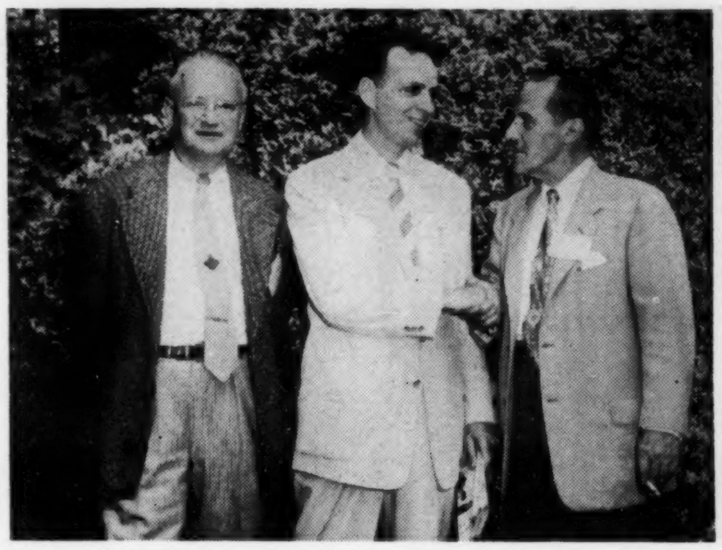

Raymond D. Stitzer, *Equitable Securities Corporation*; Walter W. Wilson, *Morgan Stanley & Co.*; Ernest W. Borkland, Jr., *Tucker, Anthony & Co.*; J. Raymond Smith, *Weeden & Co.*; Earl K. Bassett, *W. E. Hutton & Co.*


Urban D. Mooney, Jr., *Blair, Rollins & Co., Incorporated*; Joshua A. Davis, *Blair, Rollins & Co., Incorporated*; Emmons Bryant, *Blair, Rollins & Co., Incorporated*; Brittin C. Eustis, *Spencer Trask & Co.*; Charles F. Bryan, *Spencer Trask & Co.*

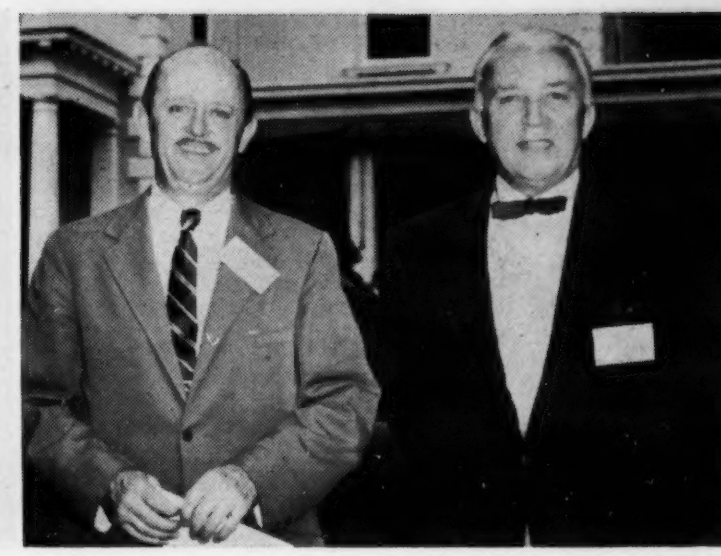
At Sleepy Hollow Country Club



Frederick A. Krayer, *E. W. Clark & Co.;* Dudley F. King



John S. French, *A. C. Allyn and Company, Inc.;* W. J. Brookes, *Clark, Dodge & Co.;* F. Donald Arrowsmith, *J. R. Williston & Co.*

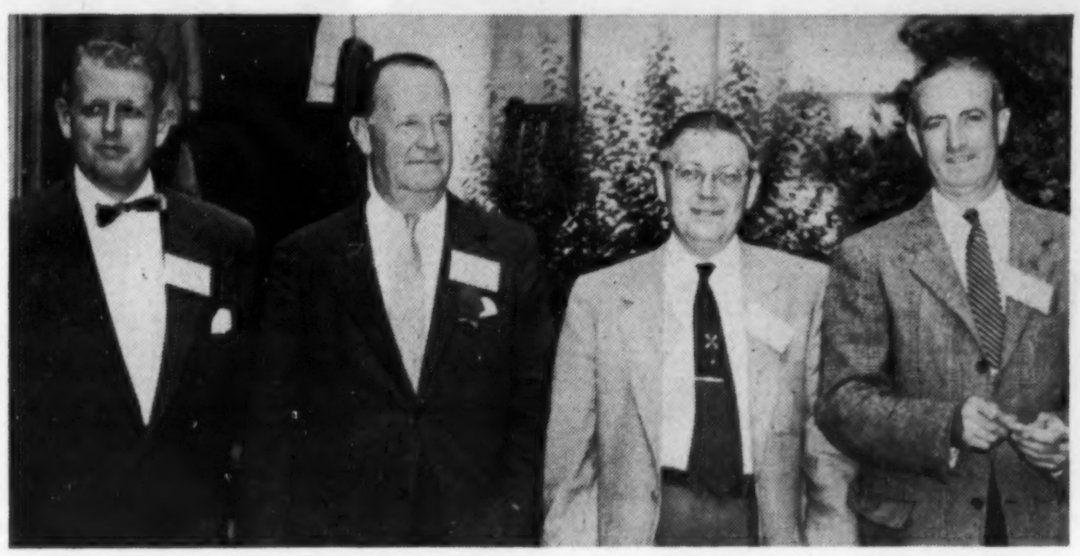


Joseph C. Nugent, *Mabon & Co.;* Arnold Tschudy, *Bank of America*

Robert H. Craft, *American Securities Corporation;* Maurice A. Gilmartin, Jr., *Chas. E. Quincey & Co.;* George P. Rutherford, *Dominion Securities Corporation;* E. F. Dunstan, *Bankers Trust Company;* Walter W. Wilson, *Morgan Stanley & Co.*

Joseph F. Patten, *Bear, Stearns & Co.;* H. Lawrence Bogert, Jr., *Eastman, Dillon & Co.;* Charles L. Morse, Jr., *Hemphill, Noyes & Co.;* C. Russell Lea, *Reynolds & Co.;* Joseph S. Nye, *Cosgrove, Miller & Whitehead*

Arthur H. Kiendl, *Guaranty Trust Company of New York;* Jonas C. Andersen, *Kuhn, Loeb & Co.;* Edward R. Greeff, *Adams & Peck;* Braman B. Adams, *Adams & Peck*



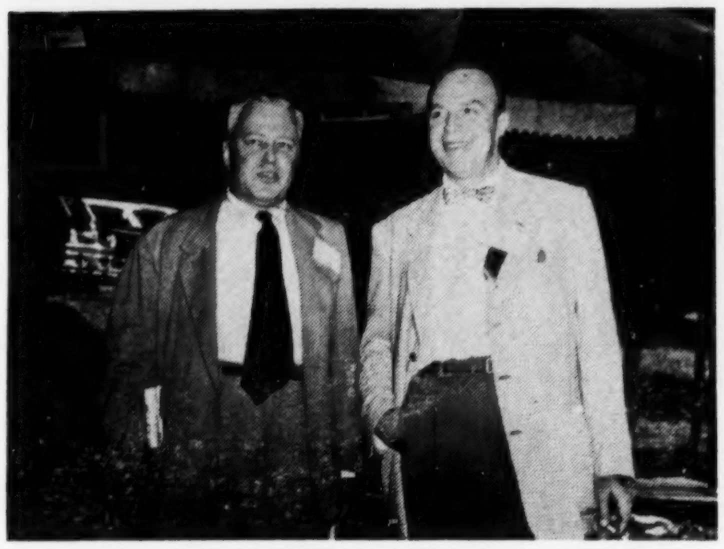
Ira B. MacCulley, *Equitable Securities Corporation;* John L. Gaerste, *Cooley & Company,* Hartford, Conn.; Arthur Jansen, *W. E. Burnet & Co.;* John L. Cronin, Jr., *Shearson, Hammill & Co.*

Eugene P. Barry, *Shields & Company;* Fred M. McClelland, *Kidder, Peabody & Co.;* William L. Canady, *W. L. Canady & Co., Inc.;* Oliver M. Whipple, *Union Securities Corporation*

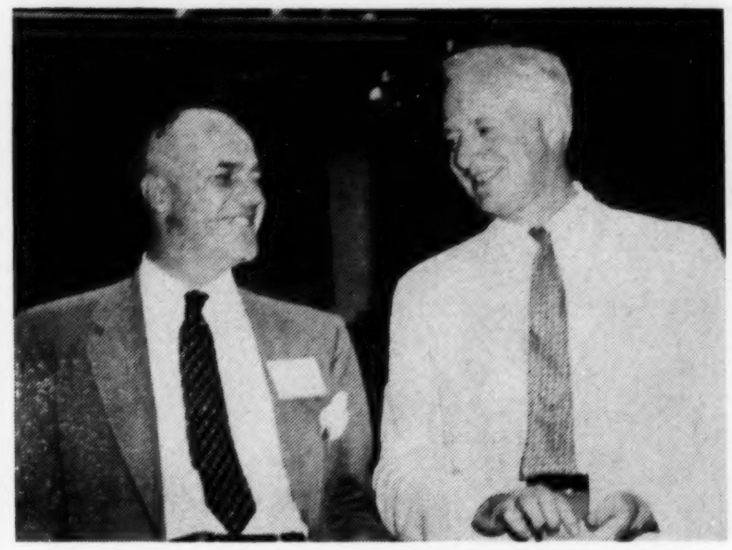
Joseph O. Rutter, *Rutter & Co.;* Frank L. Mansell, *Blyth & Co., Inc.;* Harry A. Jacobs, Jr., *Bache & Co.;* Edward F. Swenson, Jr., *First National Bank of Miami, Fla.;* Allen C. Du Bois, *Wertheim & Co.*

Friday, June 4, 1954

George E. Clark, *Adams Express Co.;* Robert E. Clark, *Calvin Bullock;* John S. Linen, *Chase National Bank of New York*

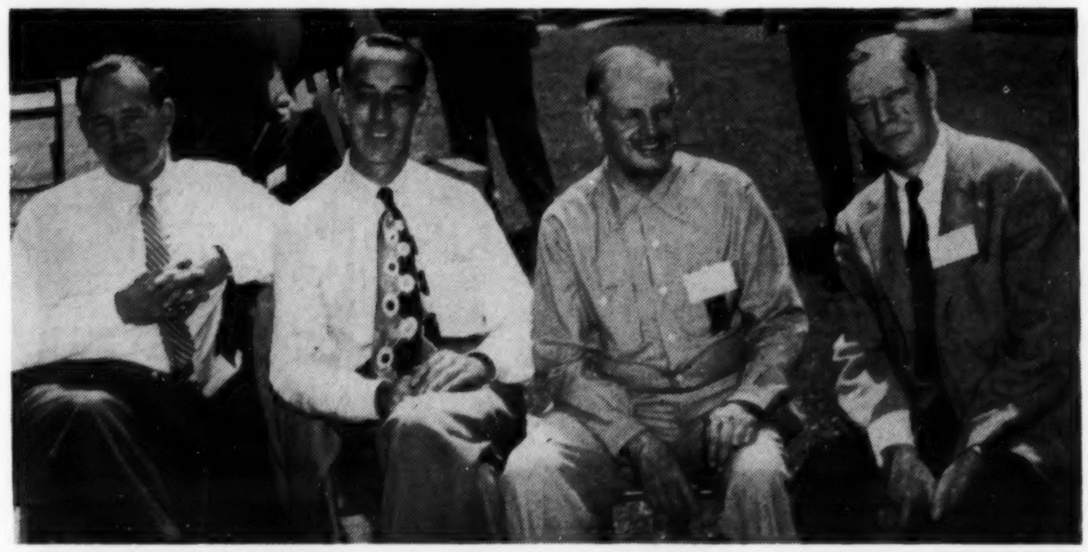


John W. Carleton, *Eastman, Dillon & Co.;* D. Frederick Barton, *Eastman, Dillon & Co.*



Edwin F. Peet, *Burns Bros. & Denton, Inc.;* George E. Nelson, *Bonner & Gregory*

Spencer Phillips, *Emanuel, Deetjen & Co.;* William H. Long, *Doremus & Co.;* Hugh Bullock, *Calvin Bullock;* R. W. Pressprich, Jr., *G. H. Walker & Co.;* David Van Alstyne, Jr., *Van Alstyne, Noel & Co.*



John B. Roll, *J. B. Roll & Co., Inc.;* Alfred H. Hauser, *Chemical Bank & Trust Co.;* Edward H. Robinson, *Schwabacher & Co.;* Hubert F. Atwater, *Gammack & Co.*

William M. Rex, *Clark, Dodge & Co.;* Roxanne Roddy—"Beat the Clock"; James J. Lee, *W. E. Hutton & Co.*

George K. Coggeshall, *Schoellkopf, Hutton & Pomeroy, Inc.;* Francis D. Bartow, Jr., *Bartow Leeds & Co.;* Malon S. Andrus, *J. G. White & Company, Incorporated*

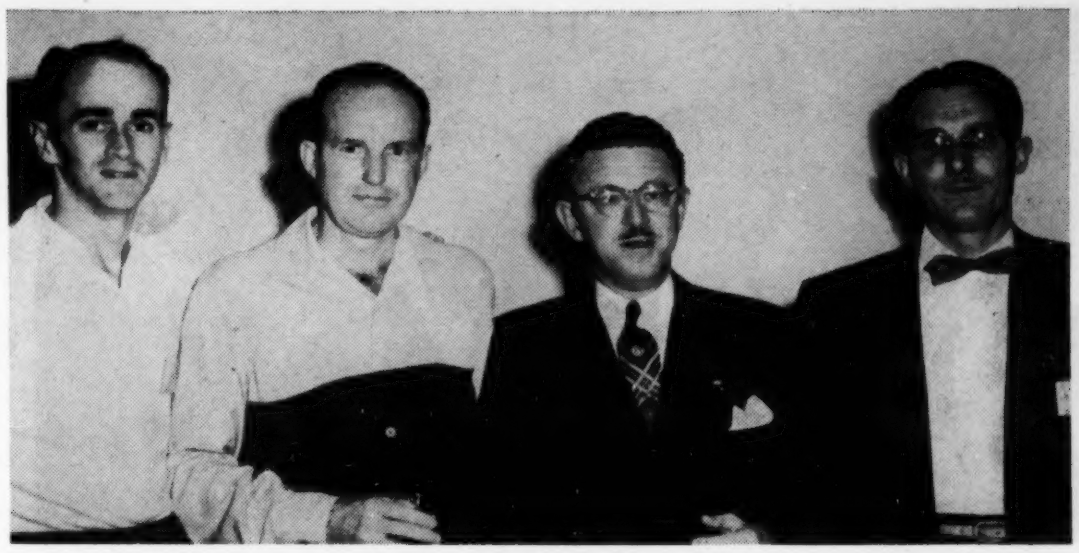
Middleton Rose, *Laird, Bissell & Meeds;* Robert W. Fisher, *Blyth & Co., Inc.;* Clarence W. Bartow, *Drexel & Co.*

George R. Waldmann, *Mercantile Trust Company;* Eugene G. McMahon, *Heller, Bruce & Co.;* Charles J. Waldmann, *Kean, Taylor & Co.;* L. Eugene Marx, *Bear, Stearns & Co.;* Ellsworth S. McEwen, *Bankers Trust Company;* David H. Callaway, Jr., *First of Michigan Corporation;* Fred D. Stone, Jr., *Marine Trust Company of Western New York*

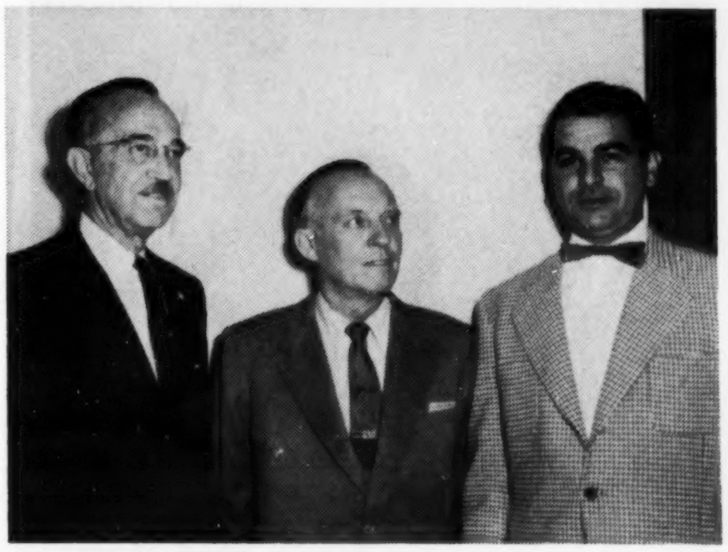
Hubert Clarke, General Manager of Sleepy Hollow Country Club, Scarborough, N. Y.

Joint Spring Outing Held May 21st-23rd in Fresno

John S. Costello, *American Trust Company*, San Francisco; John Buick, *American Trust Company*, San Francisco; Graham Walker, *Joseph McManus & Co.*, New York City; Sidney Holtzman, *Joseph McManus & Co.*, New York City



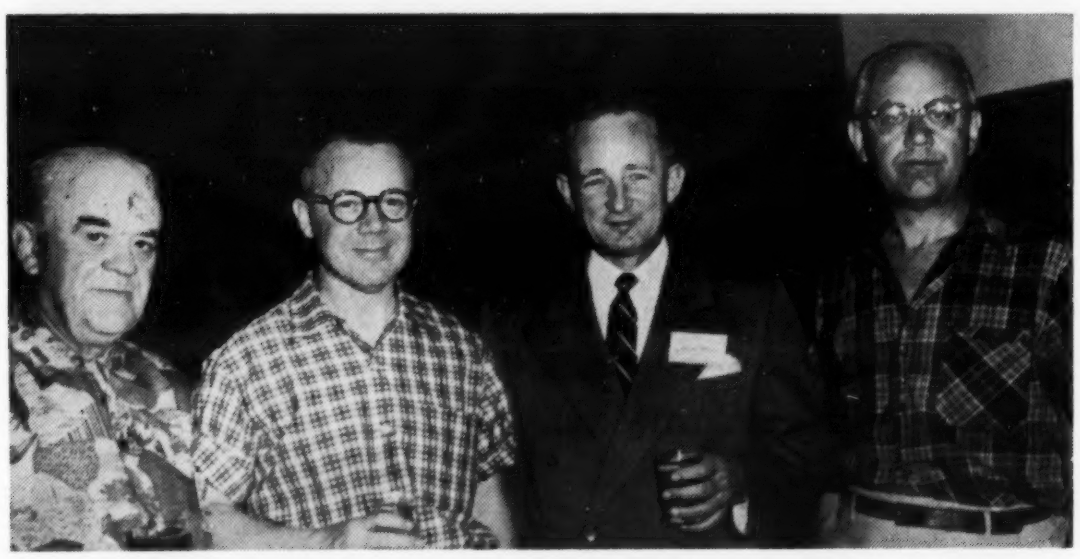
D. Call, *Revel Miller & Co.*, Los Angeles; Frank Link, *Harris, Upham & Co.*, Los Angeles; Albert A. Hewitt, *First California Company, Incorporated*, San Francisco; Pierre Kosterman, *Zilka, Smither & Co., Inc.*, Portland, Oregon



Phillip J. Clark, *Amos C. Sudler & Co.*, Denver, Colo.; John C. Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; Walter Vicino, *Blyth & Co., Inc.*, San Francisco

A. Gordon Crockett, *Crockett & Co.*, Houston, Tex.; Gordon B. Tuttle, *Gross, Rogers, Barbour, Smith & Co.*, Los Angeles; John R. Nevins, *Lester, Ryons & Co.*, Los Angeles

W. Elliott, *J. Barth & Co.*, Los Angeles; Paul E. Isaacs, *Sutro & Co.*, San Francisco; A. J. Bellizzi, *Walston & Co.*, San Francisco; Charles Livingstone, *Marache, Dofflemyre & Co.*, Los Angeles



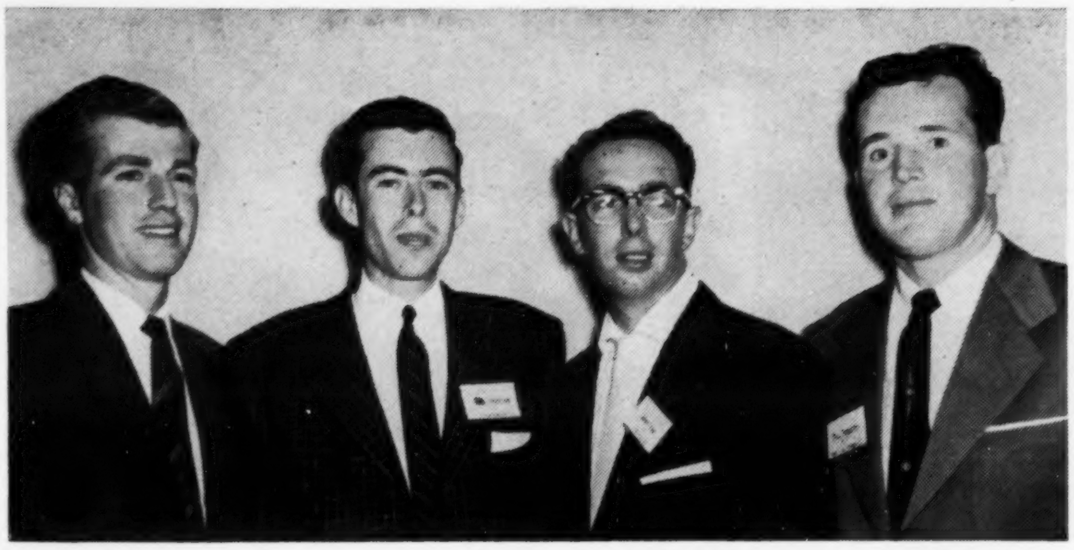
Herbert C. Irish, *Fairman & Co.*, Los Angeles; Chester M. Glass, Jr., *William R. Staats & Co.*, Los Angeles; Collins Macrae, *Wulff, Hansen & Co.*, San Francisco; Brooks D. Weber, *First California Company, Incorporated*, San Francisco

Hugh R. Schlicting, *Wm. P. Harper & Son & Co.*, Seattle; James M. Stewart, *Wilson, Johnson & Higgins*, San Francisco; George V. Hunt, *McLaughlin, Reuss & Co.*, New York City; Henry Perenon, *Henry F. Swift & Co.*, San Francisco

Max Hall, *Dean Witter & Co.*, Los Angeles; John J. Quinn, *Stone & Youngberg*, San Francisco; William T. Patten, Jr., *Blyth & Co., Inc.*, Seattle; Paul G. Johnson, *Blyth & Co., Inc.*, Seattle

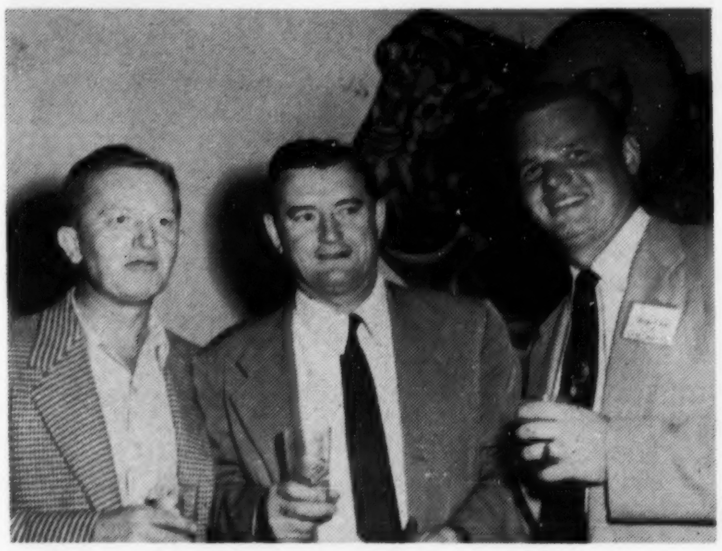
Jack H. Alexander, *Kerr & Bell*, Los Angeles; R. Brown, *Stone & Youngberg*, San Francisco; Forest W. Shipley, *Morgan & Co.*, Los Angeles; Houston Hill, Jr., *J. S. Strauss & Co.*, San Francisco

San Francisco Security Traders Association and

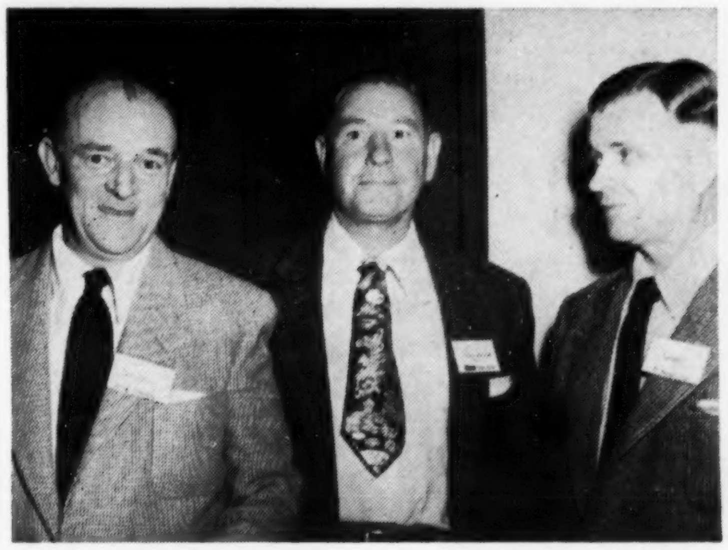


Kimball Palm, *Brush, Slocumb & Co.*, San Francisco; Benjamin Robertson, Jr., *Schwabacher & Co.*, San Francisco; B. Stone, *Blyth & Co., Inc.*, San Francisco; William Dondero, *First California Company, Incorporated*, San Francisco

Emmett A. Larkin, *A. G. Becker & Co., Inc.*, San Francisco; William Murphy, *Holt & Collins*, San Francisco; James R. Imhoff, *Frank Knowlton & Co.*, Oakland; Leslie J. Howard, Jr., *Brush, Slocumb & Co., Inc.*, San Francisco



Rudolph Sandell, *Shuman, Agnew & Co.*, San Francisco; Nicholas P. Kirwin, *Dean Witter & Co.*, Los Angeles; Verner Kraft, *Oscar Kraft & Co.*, Los Angeles



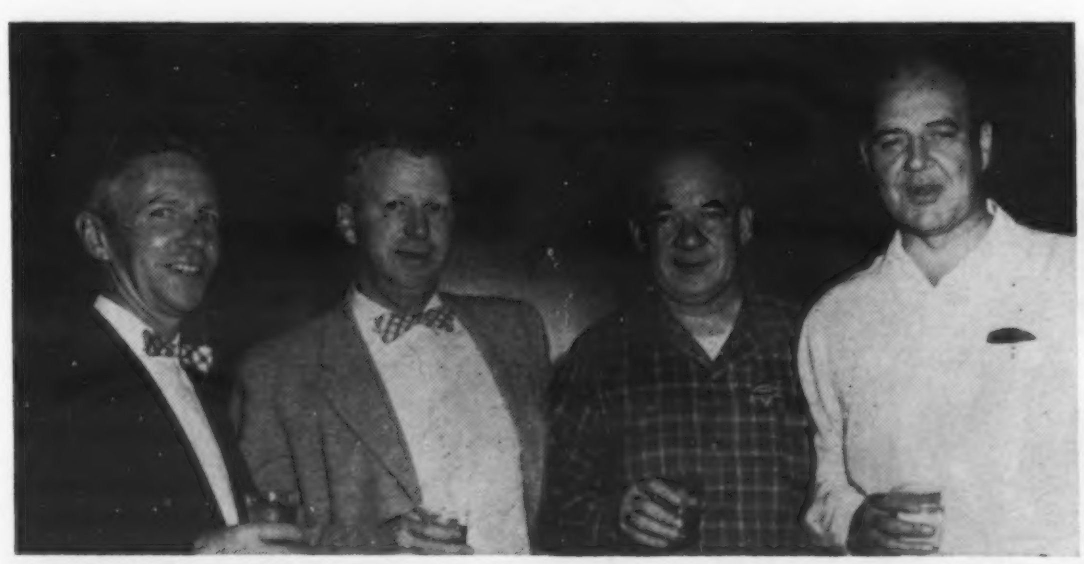
William Farrell, *Irving Lundborg & Co.*, San Francisco; H. Hodge Davidson, *Davidson & Co.*, San Francisco; Thomas Price, *McAndrew & Co., Incorporated*, San Francisco

Maury Kessler, *Wells Fargo Bank & Union Trust Co.*, San Francisco; Milton Reiner, *Wells Fargo Bank & Union Trust Co.*, San Francisco; William Belknap, *William R. Staats & Co.*, San Francisco

John C. Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; Robert M. Green, *Pledger & Company, Inc.*, Los Angeles; William Ginn, *Dean Witter & Co.*, Los Angeles; R. Dahl, *First California Company, Incorporated*, Los Angeles

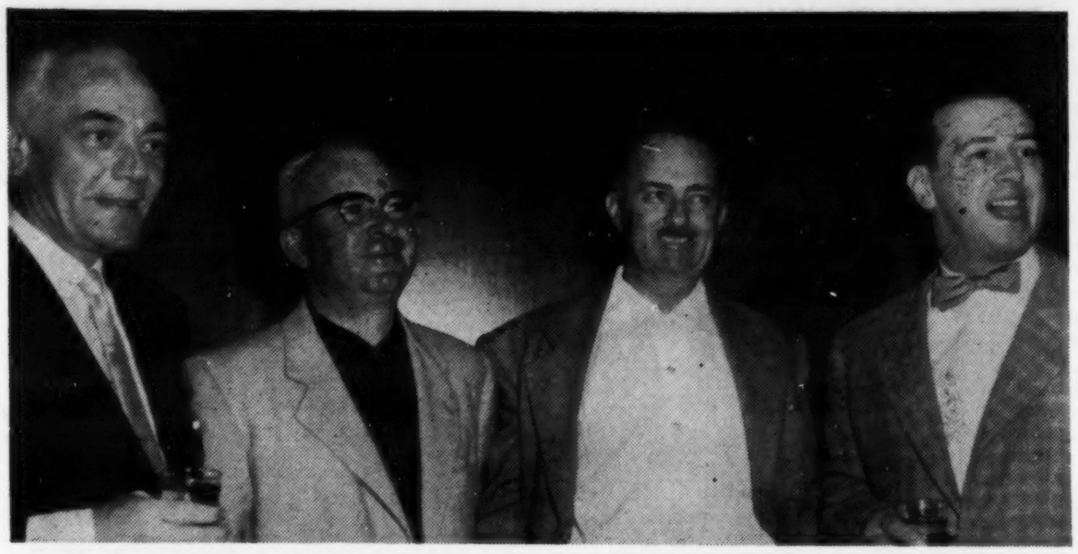
Donald E. Summerell, *Wagenseller & Durst, Inc.*, Los Angeles; Charles E. Jank, *Frank Knowlton & Co.*, Oakland; G. Tapp, *Pacific Coast Company*, Vancouver, B. C., Canada; Timothy Spillane, *J. A. Hogle & Co.*, Los Angeles

William Zimmerman, *Bingham, Walter & Hurry Inc.*, Los Angeles; J. E. McClintick, *Wells, Fargo Bank & Union Trust Co.*, San Francisco; Robert D. Diehl, *Paine, Webber, Jackson & Curtis*, Los Angeles; Harry L. Arnold, *Goldman, Sachs & Co.*, New York City



Kenneth Fazackerly, *Irving Lundborg & Co.*, San Francisco; Stewart Barker, *Crocker First National Bank*, San Francisco; William Wright, *Lester, Ryons & Co.*, Los Angeles; Nieland Van Arsdale, *Blyth & Co.*, Los Angeles

Security Traders Association of Los Angeles

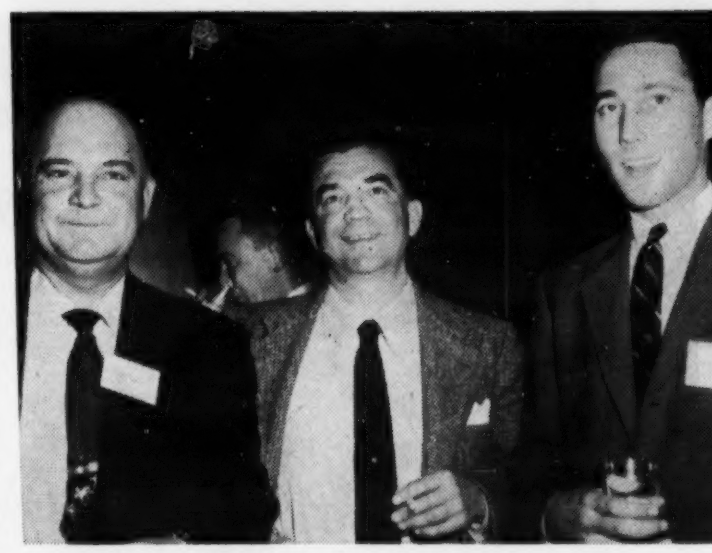


Edward J. Bourbeau, *Daniel Reeves & Co.,* Beverly Hills; J. F. Finnegan, *Hannaford & Talbot,* San Francisco; John F. Sullivan, *First California Company, Incorporated,* San Francisco; B. Chambrean, *Merrill Lynch, Pierce, Fenner & Beane,* Fresno

James B. Powell, *Harris, Upham & Co.,* San Francisco; D. Reynolds, *Walkers Manual,* San Francisco; Frank M. Whitney, *Whitney Investment Company,* Salt Lake City, Utah; R. Whitney, *Whitney Investment Company,* Salt Lake City, Utah

Clifford D. Shipley, *E. F. Hutton & Company,* Los Angeles; Gifford English, *E. F. Hutton & Company,* San Francisco; William Brown, *E. F. Hutton & Company,* Los Angeles

Kenneth Inman, *Francis I. du Pont & Co.,* Fresno; A. Shane McOmber, *Revel Miller & Co.,* Los Angeles; A. William McCready, *Revel Miller & Co.,* Los Angeles



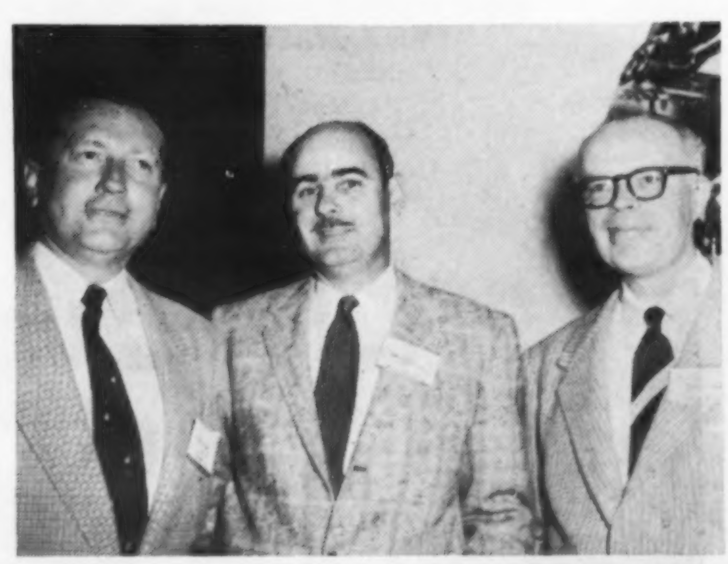
Clifton Morrill, *Walston & Co.,* San Francisco; Jackson Palmer, *Francis I. duPont & Co.,* San Francisco; C. Sheedy, *Lester, Ryons & Co.,* Los Angeles

William A. Lippman, Jr., *Holton, Hull & Co.,* Los Angeles; James Brum, *Shearson, Hammill & Co.,* Los Angeles; Del Bakerink, *Paine, Webber, Jackson & Curtis,* Los Angeles; Clinton Perkins, *Crowell, Weedon & Co.,* Los Angeles

Richard E. Owen, *Crowell, Weedon & Co.,* Los Angeles; Robert F. Bates, *Marache Dofflemyre & Co.,* Los Angeles; Paul Modrell, *Blyth & Co., Inc.,* Los Angeles; A. C'aude, *Crowell, Weedon & Co.,* Los Angeles

Walter Schag, *Davis, Skaggs & Co.,* San Francisco, Calif.; Louis J. Spuller, Jr., *Elworthy & Co.,* San Francisco

George G. Kammerer, *J. S. Strauss & Co.,* San Francisco; J. B. McMahon, *Merrill Lynch, Pierce, Fenner & Beane,* San Francisco; H. E. Beebe, *J. S. Strauss & Co.,* San Francisco; Frank J. Ward, *Merrill Lynch, Pierce, Fenner & Beane,* Los Angeles



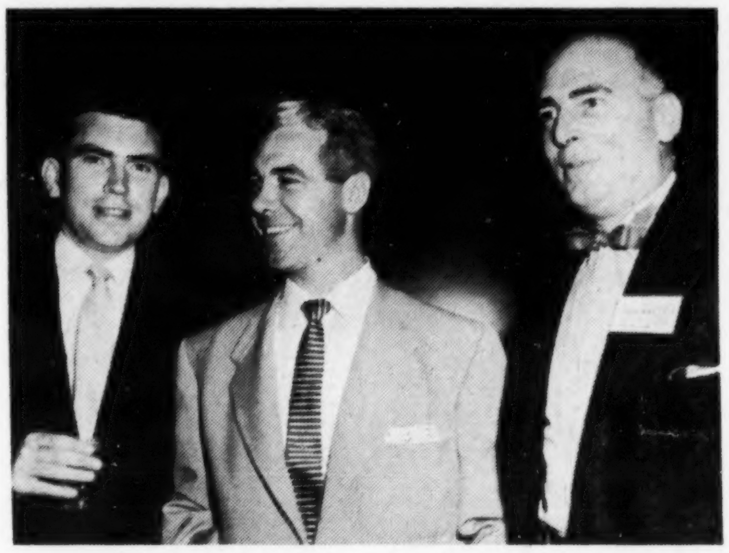
John J. Keenan, *Morgan & Co.,* Los Angeles; Emmet K. Whitaker, *Davis, Skaggs & Co.,* San Francisco; Hubert J. Quinn, *Hooker & Fay,* San Francisco

Attended by Coast Traders and Out of Town Guests

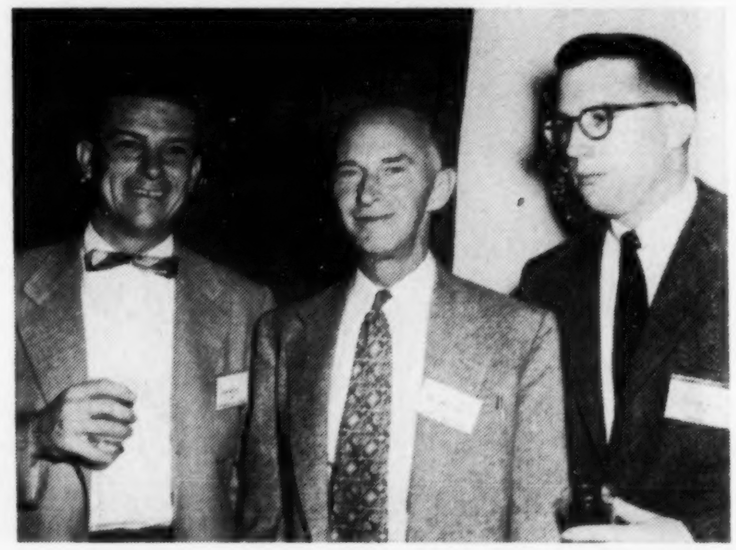
A. Leh, *First Boston Corporation*, San Francisco, Calif.; James A. Reeves, *Akin-Lambert Co., Inc.*, Los Angeles; Sidney Knoblock, *Crowell, Weeden & Co.*, Los Angeles; Thomas W. Borden, *Weeden & Co.*, San Francisco

Roy C. Warnes, *Shearson, Hammill & Co.*, Los Angeles; John E. Wheeler, *Hill, Richards & Co.*, Los Angeles; Sam Green, *Pledger & Company, Inc.*, Los Angeles; B. Bourne, *General American & Canadian Securities*, San Francisco

Charles L. Ebner, *Bateman, Eichler & Co.*, Los Angeles; William C. Faulkner, *Wulff, Hansen & Co.*, San Francisco; William Ackridge, *Harris, Upham & Co.*, San Francisco

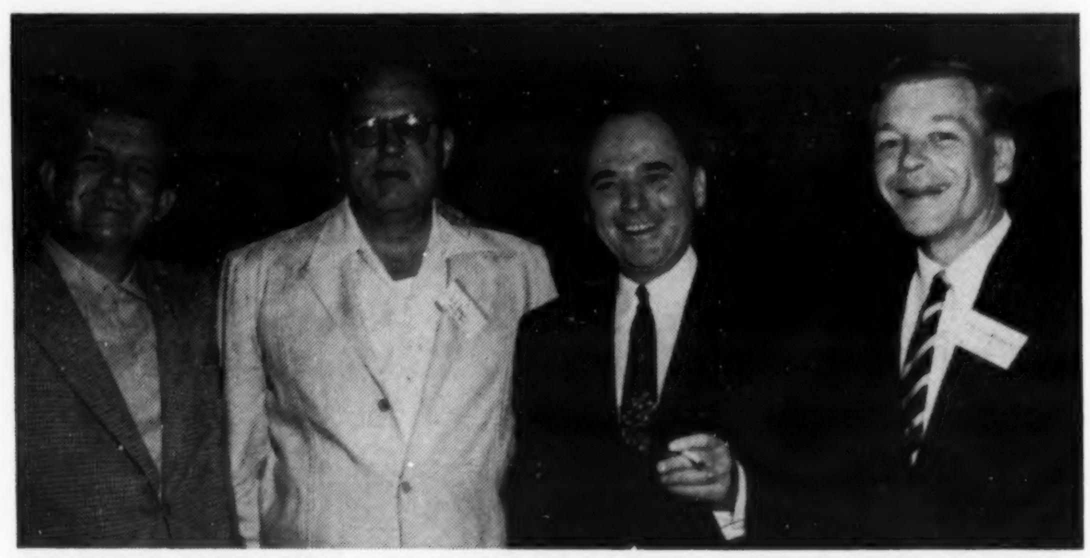


Alan D. Brassington, *Farmers & Merchants National Bank*, Los Angeles; J. Foster Paisley, *Weeden & Co.*, Los Angeles; James Fraser, *Stern, Frank, Meyer & Fox*, Los Angeles



John T. Weller, *Wagenseller & Durst, Inc.*, Los Angeles; Joseph Larzelere, *William R. Staats & Co.*, San Jose; Pat Sheedy, *Fairman & Co.*, Los Angeles

William Dorroh, *Shearson, Hammill & Co.*, Los Angeles; T. North, *Walkers Manual*, San Francisco; O. Stendal, *Crowell, Weedon & Co.*, Los Angeles Kenneth J. Barsmian, *Dempsey-Tegeler & Co.*, Los Angeles



Richard Payne, *Walter C. Gorey Co.*, San Francisco; James F. Jacques, *First Southwest Company*, Dallas; Elmer Weir, *J. Barth & Co.*, San Francisco; D. Garroway, *Francis I. du Pont & Co.*, Los Angeles

Clemens Lucker, *Hill Richards & Co.*, Los Angeles; William Bailey, *Wilson, Johnson & Higgins*, San Francisco; George F. Carson, *Reynolds & Co.*, San Francisco

Richard Abrahamson, *Weeden & Co.*, San Francisco; Walter C. Gorey, *Walter C. Gorey Co.*, San Francisco; Frank L. Moran, *J. Barth & Co.*, San Francisco

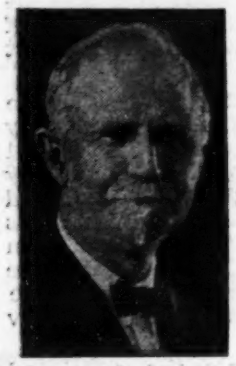
James O. Jordan, III, *Hill Richards & Co.*, San Francisco; Conrad O. Shaf!t, *Shafft, Snook & Cahn*, San Francisco; Ernest E. Blum, *Brush, Slocumb & Co., Inc.*, San Francisco

Some Optimistic Words Regarding Modern Youth

By ROGER W. BABSON

Mr. Babson, commenting on pessimistic side of the "modern youth" problem, sees some good points in present day high school graduates. Holds one of best tests which an employment manager can use on applicants is their record of automobile driving.

Some of my young friends feel that a recent pessimistic column of mine will handicap them in getting a good position. Hence, they wish me to tell the optimistic side of the story. There is much newspaper talk about the delinquency of juveniles, the carelessness of youth, and the lowering of school and college standards.



Roger W. Babson

Of course, the destruction of school or any property should be given the severest criticism; but some feel these crimes are only a natural reaction from the moral letdown that always has accompanied periods of great wars. So much has been written by me regarding the pessimistic side of the "modern youth" problem that I really should pass along some optimistic words, especially now at graduation time.

Hours and Wages

Stores are having some trouble from stealing by employees; but this has been due partly to the stores' carelessness. When it comes to the industry, initiative and loyalty of the honest ones, I must admit that the high-school graduates today may possess some good traits to a greater extent than any previous generation. Modern youth may wish to work fewer hours; but with telephones, calculating machines and dictaphones, they may accomplish more in a 40-hour week than I did when working 50 hours per week. They claim five times as much!

Now as to wages: On the wall of a store adjoining my Wellesley office is a tin sign dated 1904 reading: "The Boston Herald, Price One Cent." One of the leading newspapers of New England, "The Boston Herald" now sells for five cents. We employers are disturbed at the wages which "modern youth" ask; but are these wages more than five times what we paid high-school graduates 50 years ago?

What Is Paleontology?

Paleontology is the science of ancient life. Recently, Doctor Barnum Brown, Curator Emeritus of the American Museum of Natural History, a leading paleontologist, told me that the facts prove conclusively every normal generation is abler than its predecessor. The new generation may do things which we oldsters do not like; but it has other qualities which more than offset our objections. This improvement, he claims, is due to many factors—one of which is the better diet which each generation has—more protein, more fruits and vegetables, and especially a greater variety of food.

When I attended high school, I despised such subjects as Latin, Greek and certain higher mathematics. When I would tell the teacher that I would never use these subjects, the teacher would reply, 'These are taught to help you develop your brain." Yet, today, psychologists tell me that driving automobiles through traffic does far more to develop the brains of modern youth than did any of those high-school subjects which were taught us. In fact, it may be that automobiles are today doing more to sharpen high-school brains than many of the textbooks which I studied.

Automobiles as Teachers

I am scared stiff when riding with one of my grandchildren. The way he drives "in and out" of traffic astonishes me. Yet, he never has an accident. The automobile may make the present generation superior to the pre-auto generation to which I belonged. Furthermore, instead of urging youth to drive slower, we should perhaps be content to urge "careful driving." The best brains are said to be developed by alert, careful driving.

Therefore, I should say that 1954 graduates—who avoid liquor and excessive smoking — may be the best we have ever had an opportunity to hire. Perhaps, we employers may well place them in the jobs of us oldsters who cannot think as fast or visualize as quickly as we once could. In fact, one of the best tests which an employment manager can use on applicants may be to ask for the applicant's auto record. It may tell more than high-school marks! I do not know.

With H. A. Riecke Co.

DOYLESTOWN, Pa. — H. A. Riecke & Co., Inc., members of the Philadelphia-Baltimore Stock Exchange, announce the association with them of Joan K. Fisher and Jay F. Fisher as registered representatives in their Doylestown, Pa. office, 110 North Main Street.

New Branch Manager

ALLENTOWN, Pa. — Reynolds & Co., members of the New York Stock Exchange, announce that Charles F. Harrison has been appointed resident manager of the firm's Allentown office in the Americus Hotel Building.

Standard Inv. Corp. Opens

The formation of Standard Investing Corporation with offices at 40 Exchange Place, New York City, to transact a general investing business specializing in over-the-counter stocks and mutual funds has been announced by Jed L. Hamburg, President.

Both Mr. Hamburg and Melvin Cantor, Secretary and Treasurer, have been active in the Street for many years.

Casey Elected

J. Douglas Casey, President of the A. C. Allyn & Company, Incorporated and a member of the National Can Corporation Board of Directors, was elected a member of the National Can Executive Committee.

Continued from page 3

A Quarter-Century Forecast of Electric Power in U. S.

surveys with the exception that the maximum and minimum limits of peak load were given, rather than specific peak load forecasts.

For the purpose of this discussion, we have assumed that the last quarter of the first century of the power industry in the United States is from 1950 through 1975.

Let us look first at Figure I, depicting the peak loads that have occurred since 1920 as shown by EEI statistics. In the earlier years of this period, load growth was comparatively small, but since the mid-thirties the increase has been rapid. The 1953 peak load—81.6 million kilowatts — is more than double that of 1945. These data pertain to the entire electric power industry engaged in supplying power for public use rather than to the approximately 97% of the industry represented in the regular power surveys.

The peak loads which are expected for future years, shown by Figure 2, at first seem somewhat startling. For 1965 the Electric Power Survey Committee estimates that the peak will be between 157 and 190 million kilowatts. This means that the peak load of 1953 will be approximately doubled in twelve years, something which has been predicted many times by those familiar with the power industry.

For 1975 it is estimated that the peak load will be at least 262 million kilowatts, and possibly as high as 367 million kilowatts. Although these may seem large indeed, the estimated minimum peak load growth from 1955 to 1975 as shown by Figure 2, is at the rate of only 5.4%, compounded annually, while the maximum peak load growth is at the rate of 6.8%. These values may be compared with the 7.8% annual growth for the past 15 years.

Of course we do not know precisely what new loads and increases in existing loads will occur to bring about this large advance in power requirements. But in 1942, when we first began atomic energy development as a military project, no one could have forecast that atomic energy would now be one of our largest power consumers. Other similar power consuming developments are likely to occur in the years ahead. We can foresee tremendous advances requiring very large amounts of power in the steel and metal industries, the chemical industry, in space heating, and other uses which when combined with our expected population growth and improved living standards can easily bring about the peak loads indicated.

These forecasts have been prepared by men in the industry whose daily responsibility is that of looking ahead for their individual power systems. They have used their experience of the past and their best judgment concerning the future. . We can consider, therefore, that the peak load forecasts as shown by Figure 2 point out the responsibilities which the power industry must assume, and provide the best foundations available to us for looking ahead to the next 25 years.

National Considerations

Our first thought in looking ahead is to be prepared to meet the power needs of our country as we have in the past. We are all aware of the importance of electricity to our national economy, and fully realize the significance of what a lack of power would mean. The maintaining of our high standard of living requires that power be available at costs which permit its practically unrestricted use.

We have been fortunate here in the United States because we have had an adequate supply of power at relatively low cost. We have been able to utilize literally thousands of power consuming methods and devices. Obviously, power has not been the only factor in the advance of our economy, but it certainly has been one of the key factors.

Should we look elsewhere in the world and examine the circumstances closely, we will find that in those areas where low cost power is available, living standards are comparatively high. Undeveloped areas generally have inadequate power. Also, in those areas where periodic shortages of power occur, regardless of power costs, the economic maladjustments are particularly hurtful.

The strength which an adequate supply of power gives our industrial system and national economy is of greatest importance during times of national emergency, as clearly demonstrated during World War II and the Korean conflict. The margins of generating capacity which the power systems had built up prior to both of those periods were adequate to permit the prompt and steady expansion of our military production, and thus to establish and maintain the required defense effort. Naturally, it was necessary to build additional generating capacity to meet defense and and other power requirements in many areas, but the capacity available when hostilities began did meet the needs of the interim period.

Julius A. Krug, Director of the Office of War Utilities and later Chairman of the War Production Board, rightly stated, "Power was never too little or too late," during World War II. There were limiting factors in our defense effort but not in power supply. The power situation during the Korean period was equally satisfactory except in comparatively small areas during one short period when hydraulic conditions were far below normal.

Our country's industrial strength, our national economy, our standard of living, and our national security have been achieved, in large measure, through the ability of the electric power industry to meet power needs adequately and economically. Our future depends heavily upon a continuing adequate supply of power. The electric power industry, in looking to the future, must plan and proceed courageously to fulfill its responsibility.

Engineering Considerations

Our next consideration in looking ahead has to do with the engineering matters involved. The electric power industry must continue to expand its physical facilities so these will be ample to serve expanding power requirements. Our first thought, quite naturally, concerns generating capacity, but there are a host of other items including fuel handling, transmission lines. substations, distribution and other facilities.

It has been recognized from the beginning of the industry that power systems must have not only enough generating capacity to carry the peak loads, but also a margin of capacity to provide for: (1) Scheduled and unscheduled equipment outages. (2) Leeway to permit system control. (3) Unforeseen loads. In the Power Survey Reports, this difference between the maximum capability of the interconnected systems and the peak load has been termed "gross margin."

The conditions which have existed since 1948 and are forecast for the years 1954 through 1957 as revealed by the Power Survey Reports are shown by Figure 3. In the last six years, the gross margin has varied from a minimum of 6.6% in 1948 to 17.5% in 1953.

The matter of gross margin has been studied at length by the Electric Power Survey Committee, the Federal Power Commission, and other governmental organizations, during World War II and the Korean conflict. There is no formula by which the optimum gross margin for any one or for all power systems can be determined. Some systems can operate with a gross margin as low as 5% or less, but others require much more. The studies of the Electric Power Survey Committee indicate that if the gross margin for the country as a whole falls below 10%, moderate curtailment is likely to occur in certain areas of the country. Fifteen per cent gross margin for the country as a whole appears to represent desirable conditions and with this margin there is little likelihood that curtailment will occur except perhaps in the event of adverse hydro conditions in areas larely dependent on hydro generation.

Applying this value of 15% to the peak load forecasts, the required capability can be estimated as shown by Figure 4. Now that you have perhaps recovered from the shock of peak loads predicted, these capability values may not be too surprising, but certainly the possibility of the need for a country-wide generating capability of at least 181 million kilowatts and perhaps as much as 218 milion kilowatts by 1965, gives reason for serious thought.

The present expansion program will bring the capability up to 127 million kilowatts in 1957, and by 1965 it will have to be raised an additional 50 to 90 million kilowatts.

It may be difficult for even the most optimistic to comprehend the indicated need for a minimum of 301 or a maximum of 423 million kilowatts by 1975.

If we analyze this projected expansion requirement further, however, and compare it with the industry's accomplishments since 1950, the problems become somewhat commonplace. Following the outbreak of the Korean conflict, there was the need for greatly increased amounts of power and the electric power systems undertook a vast expansion program. What has been accomplished can best be illustrated by Table I which shows the new generating capacity that has been installed in the years 1950 through 1953. Table II shows the new capacity now scheduled for completion in 1954 and later.

The years 1950 through 1953 were difficult indeed because of material shortages, and yet in those four years, the power systems actually brought into service 473 thermal generating units and 159 hydraulic units with a combined capability of more than 29 million kilowatts.

The best year was 1953 when 119 thermal units with a capacity of 8.7 million kilowatts, and 54 hydro units with a capacity of 1.5 million kilowatts were brought into service.

The expansion program for the years 1954 and 1955, shown by Table II, is also impressive—191 generating units with a capability of 13.9 million kilowatts scheduled for service in 1954, and 132 units with a capability of 11.6 million kilowatts in 1955. There is little doubt that these programs can be carried out substantially as now planned.

Table III gives the estimated new capacity requirements by five-year periods. Up to 1965, the capacity additions should average somewhere between 7 and 12 million kilowatts a year. This should not be an overly difficult problem in view of 1953 accomplishments and the 1954 schedule for new capacity. The estimates for the years 1965-1975 indicate high annual capacity additions, averaging from about 11 to nearly 24 million kilowatts. With adequate advance planning, it should be possible to carry out such programs.

In carrying out power plant expansion programs of the size in prospect, there is the possibility that capacity additions may fall below the average requirements for two or three years and thus necessitate above-average additions in other years. While our heavy power equipment manufacturers have a very large capacity for the production of power plant equipment, this capacity can be fully effective only when orders for equipment are placed far enough in advance to permit un-

TABLE I
GENERATING CAPACITY ADDITIONS
1950-1953

	Thermal Capacity Millions of Kw.	Hydro Capacity Millions of Kw.	Total Capacity Millions of Kw.
1950	4.8	1.0	5.8
1951	5.7	1.2	6.9
1952	4.9	1.6	6.5
1953	8.7	1.5	10.2
Total 1950-1953	24.1	5.3	29.4

TABLE II
SCHEDULED PROGRAM
1954 and Later

	Thermal Capacity Millions of Kw.	Hydro Capacity Millions of Kw.	Total Capacity Millions of Kw.
1954	12.6	1.3	13.9
1955	10.0	1.6	11.6
1956	5.5	0.7	6.2
1957	2.0	0.4	2.4
Total Scheduled	30.1	4.0	34.1

TABLE III
ESTIMATED REQUIRED CAPACITY ADDITIONS
(Millions of Kilowatts)

	Required Capability Addition		Average Yearly Addition	
5-Year Period	Minimum	Maximum	Minimum	Maximum
1955-1960	33.1	43.5	6.6	8.7
1960-1965	42.0	61.2	8.4	12.2
1965-1970	53.0	84.9	10.6	17.0
1970-1975	67.0	119.5	13.4	23.9

TABLE IV
HYDRO
Percent of Total Capacity

	Thermal Million Kw.	Hydro Million Kw.	Total Million Kw.	Hydro % of Total
Installed 1950-53	24.1	5.3	29.4	18.0
Scheduled 1954-57	30.1	4.0	34.1	11.7

interrupted manufacturing operations.

The production of large steam turbine-generators, as shown by Figure 5, was nearly 11 million kilowatts in 1953 and should exceed 12 milion kilowatts in 1954. With orders placed sufficiently in advance, the production could be as much as 14 million kilowatts. Similarly, for steam generators, as shown by Figure 6, the full manufacturing capacity is now estimated as 145 million pounds of steam per hour. The actual production in 1952 and 1953 averaged about 115 million pounds of steam per hour annually.

While the steam generator manufacturers will continue to produce at a high rate during 1954, their current orders for units to be shipped after 1954 occupy only a small part of their present productive capacity. They are now beginning to reduce personnel and this reduction will become even more extensive later this year. If this process continues, it will take a long time to restore steam generator manufacturing operations to the level needed to handle the power industry's requirements. This can create the same tense situation which occurred in 1950-52. The situation in the turbine generator manufacturing shops is also pressing.

It is almost certain that thermal generating units will constitute upwards of 90% of the generating capacity to be instaled in the next quarter century. This is because practically all the economic hydro sites have been developed in areas reasonably close to the heavy population centers, and particularly in the eastern part of the country.

This is illustrated in part by the fact that in the last four years hydro units have accounted for 18% of the new generating capacity, as shown by Table IV. As of Jan 1, 1954, the 114 hydro units definitely scheduled for installation, with a capacity of 4 million kilowatts, amounted to 11.7% of the total new capacity then scheduled for operation prior to the end of 1957.

EEI statistics which have been used in Figure 7 show that since 1945 the hydro-electric portion of the total generating capacity of the interconnected power systems has gradually decreased. This trend will continue in the years ahead.

Atomic Energy

There is, of course, much conjecture concerning the role atomic energy will have in our power supply within the next 25 years. Based upon the technical and engineering information available now, it is almost certain that several large atomic power reactors will be built within the next 10 years, and it will not be surprising if their total capacity is one or even two million kilowatts or more. This, however, will be only a very small part of the 180-220 million of kilowatts of capacity which is foreseen as required to meet the power needs in 1965.

These reactors will incorpate a great many new and complicated features, and at best their economic justification probably will be marginal. It seems likely, therefore, that considerable time will elapse after these first reactors are built to permit testing and evaluation and further development before atomic reactors will be widely accepted for power use. A considerable number of additional atomic power plants should come into service in the years 1965-1975, but it is not possible at this time to make any forecast concerning the total capacity which may be involved. If it is assumed, for example, that one-third of the new capacity required during the period 1965-1975 will use atomic fuels, then we might have from 40 to 65 million kilowatts of atomic power plants by 1975. That is difficult to visualize at this time, when there is not even one commercial atomic plant, and there is so much question concerning the ultimate economics. The very great world-wide interest and effort being devoted to the development, however, may bring about rather startling results.

On the other hand, 40 to 65 million kilowatts of atomic generation in 1975 would still be only a small part of the expected total capability of 301-423 million kilowatts which wil be required for the interconnected power systems. If used to the maximum possible extent for base loading, this capacity in atomic fuel plants could generate less than 25% of the total power needs. The conventional fuel-burning and hydraulic plants we are building now and will build in the future will serve out their mormal economic life.

We are continually hearing about the direct conversion of atomic energy to electricty, and about other devices which may make obsolete our present conception of the use of atomic energy as a source of heat. One recent announcement is the strontium battery, which has a capacity of only one-millionth of a watt.

Obviously we do not know what the future may bring in the matter of scientific advancements but scientists tell us that no "direct-conversion" device discovered up to now holds any real promise for the foreseeable future.

If atomic energy is to be an important factor in the power industry within the next 25 years, it will be primarily through the use of the heat released by nuclear fission, or possibly fusion.

Other Engineering Factors

The engineering problems of the next quarter century are by no means limited to the installation of additional generating capacity. The greatly increased use of power will present a challenge in the matter of transmission and distribution, particularly in the heavier populated areas. Even today, difficulty is encountered in obtaining rights-of-way for overhead lines, and underground construction of adequately high standards is costly.

We are meeting similar problems today, in part, by resorting to higher transmission voltages. It is likely that 400,000-volt lines will be reasonably common

Continued on page 40

FIGURE I

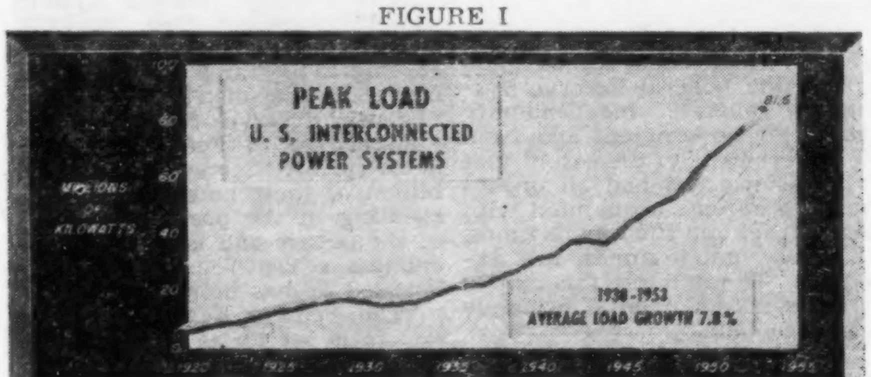


FIGURE II

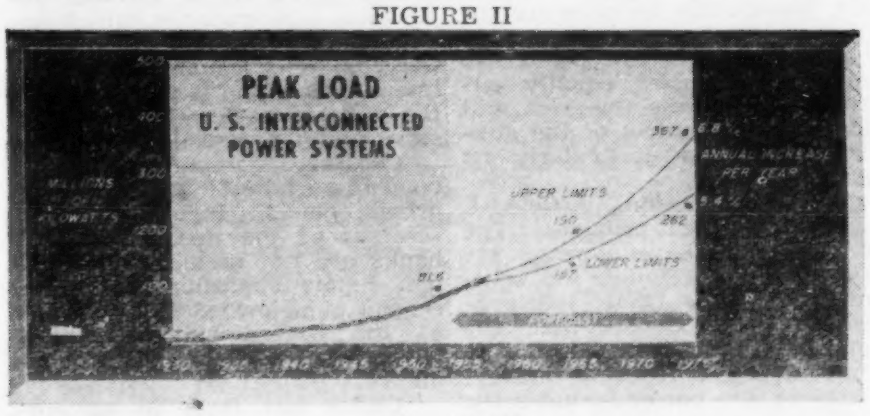


FIGURE III

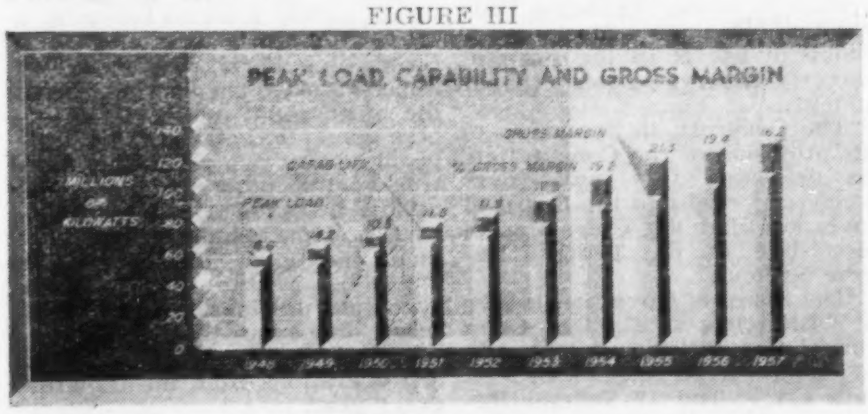


FIGURE IV

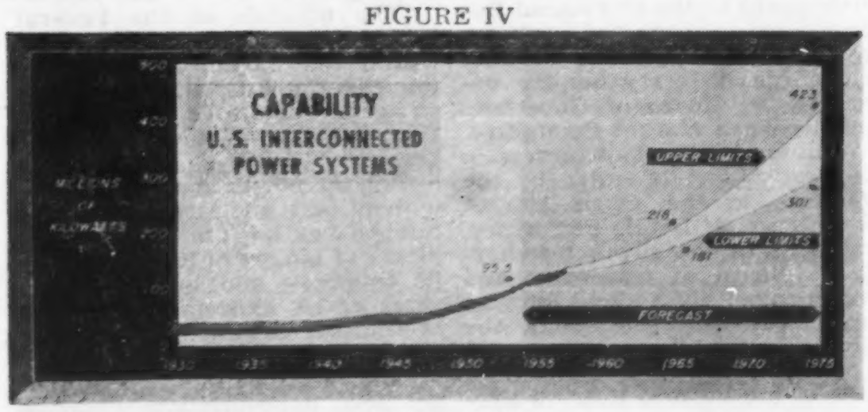


FIGURE V

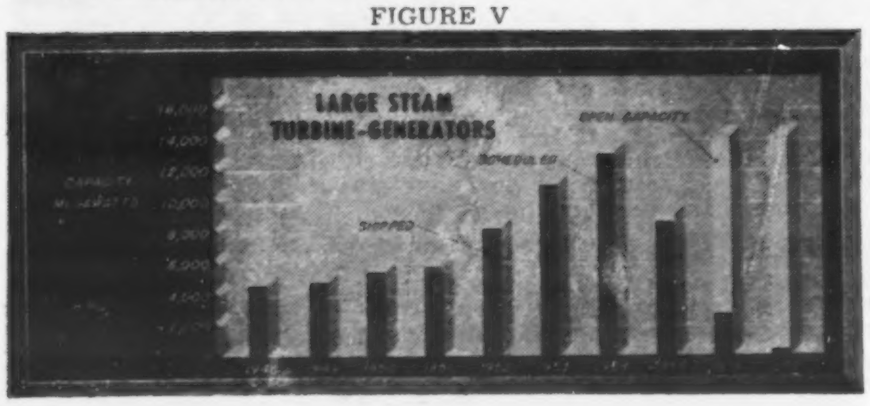


FIGURE VI

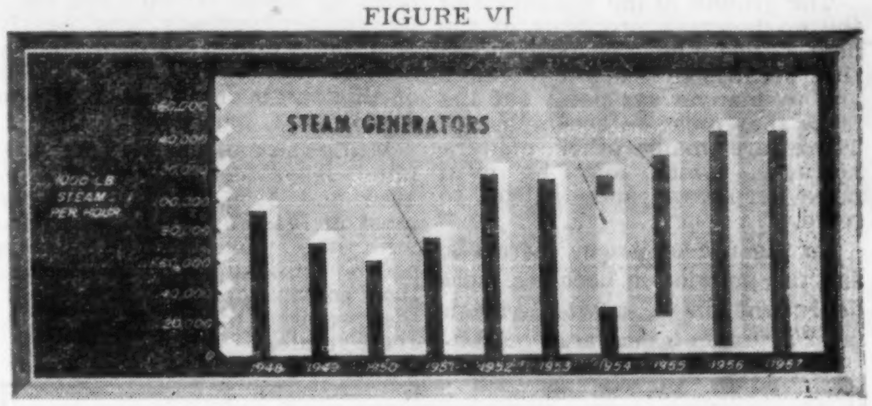
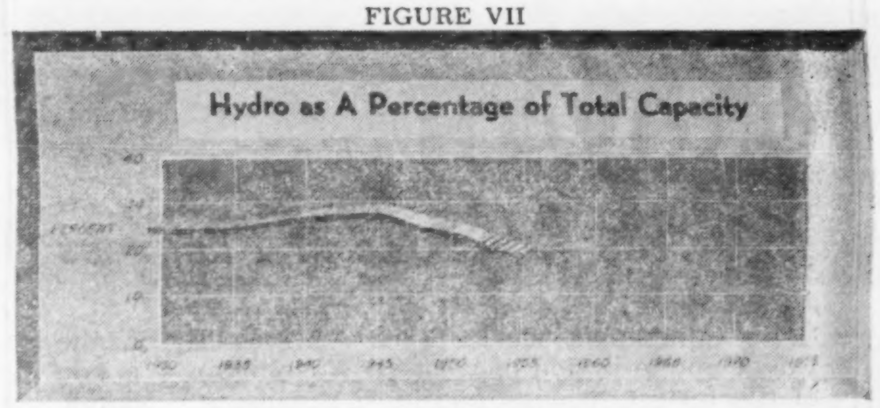


FIGURE VII



Continued from page 39

A Quarter-Century Forecast of Electric Power in U. S.

within the next 25 years, and that many transmission systems now limited to 60,000 and 150,000 volts will adopt higher voltages to supplement their present facilities.

This type of transmission line expansion permits great economy in that the newer high-voltage lines provide the main transmission circuits while the existing lines become in effect the secondary or subtransmission lines.

In the matter of distribution, higher feeder voltages are being used now than a few years ago and the possibility of 440-220 volt service for residences, farms and small power customers is being actively discussed.

These changes will come as refinements to existing facilities in the never-ending effort to keep ahead of the power requirements.

Organization and Business Matters

The growth of the industry and the engineering problems of the next 25 years have been discussed first because they are predictable and in many ways point out the tasks that must be accomplished. There are many other matters, however, which may be even more perplexing and difficult to solve.

As the use of power increases, and the population becomes more dependent on it, power systems must assume an increased responsibility to the public. Organizations must be expanded to meet these new and enlarged responsibilities. That in itself is a major problem which must be planned well in advance. The trend for many years has been toward fewer work-hours, longer vacations, and more and more benefits. There is nothing to show that this trend will change. The industry, however, must operate 24 hours each day. Ingenuity will be required to meet this situation.

Competent personnel must be recruited and carefully trained. Lines of authority must be developed to provide efficient and effective operating procedures. This matter of organization will require more and more attention of top management.

The matter of finances for the next quarter of a century will be of continual concern. Expenditures for new plant and equipment by the investor-owned electric power systems was nearly \$2.6 billion in 1952 and nearly \$2.9 billion in 1953. About 75% of this has been financed by the sale of new securities.

While the expenditures for new plant may decrease slightly in 1955 and 1956, they inevitably must increase again to keep pace with the power needs. When plants using atomic fuels rather than conventional fuels are built, the required investment will be even greater.

The sale of securities is dependent upon good management and a sound financial condition. The procedures and practices which are involved have changed greatly in the past 25 years and future changes are to be expected. The main problem will be to maintain a satisfactory financial condition which encourages the purchase of securities by investors. That alone is a challenge indeed.

Summary

These thoughts concerning the next 25 years of electric power in the United States may be summarized in the following manner:

(1) The use of power in the United States will continue to increase rapidly. We can confidently expect that by 1965, power consumption will be double that at the present time. Beyond 1965, the situation may not be as clear, but those whose business it is to look into the future fully expect the load growth to continue at an undiminished rate.

(2) With the greater use of electricity, the power industry will come to have a more and more important responsibility for our industrial and economic well-being. The power industry must accept and meet that responsibility by continuing to develop new and improved equipment and operating practices. It must continue to meet peacetime power requirements and, in addition, maintain sufficient reserves to be used in the event of national emergency.

(3) From the estimates of load growth presented, the industry will need to install from 7 to 12 million kilowatts of new generating capacity each year between now and the end of 1965. This is at a slightly lower average rate than was achieved in 1953 and is now expected for 1954. After 1965 the requirement for new capacity to meet load increases may be as high as 11 to 24 million kilowatts a year. These programs can be achieved only if they are planned well in advance.

(4) Atomic power technology is progressing rapidly and a few large atomic power reactors may come into operation within five years. A long period of development lies ahead, however, before the engineering problems and economic justification of atomic units can be brought into focus. After perhaps 10 years the use of this source of energy for a part of our power supply may become a reality.

This development, directed in a rational manner, should create no unusual problems for the electric power industry. The industry should take a leading part to avoid unrealistic and wasteful steps which could have disturbing results.

(5) The ever-increasing requirements for power will place a heavy burden on the management and operation of power systems. These organizations will have to be expanded in order to meet increased responsibilities effectively and efficiently.

Conclusion

The achievements of the electric power industry during the past 75 years were brought about by the efforts of many people, working together, and devoted to their responsibility of providing a service which contributes importantly to our continually improving standard of living. The last quarter of the first century holds great promise of continued advancements. The electric power industry has before it in the years ahead an unrivaled opportunity and a deep responsibility. This is a challenge. And the first three-quarters of a century of the Electrical Age has given our industry the necessary experience to meet this challenge.

Patman Urges Audit of Federal Reserve

Texas Congressman presents his testimony to House Committee on Government Operations in support of his bill to direct the Comptroller General to audit the Board of Governors of the Federal Reserve System, the Federal Open Market Committee and the Federal Reserve Banks.

Congressman Wright Patman (D.-Texas) on June 2, presented a statement to the House Committee on Government Operations in support of his measure, H.R. 7602, to direct the Comptroller General to audit the Board of Governors of the Federal Reserve System, the Federal Reserve Open Market Committee and the Federal Reserve Banks.

Wright Patman

According to Congressman Patman:

"It is my belief that a very bad precedent has been set by permitting the Federal Reserve System to operate independently within the government and from the government to the extent that Congress has not had an opportunity to become acquainted with its activities and the way its funds, which are public funds, are expended. To my mind, this matter involves a fundamental principle of government.

"If the Federal Reserve System should be permitted to continue as it has continued in the past, many other agencies are entitled to the same privileges; and if and when they are granted to the other agencies equally entitled to them, the Congress will lose effective control of the government and particularly its pursestrings.

"The Constitution, Article I, Section 8, Clause 2, provides: ('The Congress shall have power * * * to coin money, regulate the value thereof, * * *'). Under this provision of the Constitution, the Supreme Court has held that to print money is to coin money; therefore, the power includes the printing of money, including Federal Reserve notes. Most of our money in use is in the form of Federal Reserve notes (paper money).

"The Congress, in pursuance of this provision of the Constitution, has delegated the power over money and credit to the Board of Governors and the Open Market Committee of the Federal Reserve System.

"The Board of Governors is here in Washington, D. C. The Open Market Committee is operated in the Federal Reserve Bank in New York City. The 12 Federal Reserve banks in the 12 Federal Reserve districts of the United States are the agencies used as vehicles or facilities to carry out the orders of the Board of Governors and the Open Market Committee.

"The most important powers in the System are delegated by the Congress to the Open Market Committee. It is this Committee, composed of the seven members of the Board of Governors and five Presidents of Federal Reserve banks, who were selected by the private banks, that conduct and carry on the most important functions of the Federal Reserve System.

"This Committee has the power to trade non-interest-bearing Federal Reserve notes (printed money) for interest-bearing government obligations. It has acquired in this manner about \$25 billion of such securities. This Committee distributes these interest-bearing obligations among the 12 Federal Reserve banks in proportion to their size, the 12 banks being required to comply with all instructions of the Open Market Committee concerning the sale and purchase of U. S. Government securities.

"The banks keep these bonds that the Open Market Committee buys for them with costless money and collect the interest annually. Last year, the earnings of the System—practically all of it from interest on government obligations so purchased — aggregated \$513 million. The expenses of the System were paid, which amounted to about \$135 million, and the remainder was distributed about 10% to the surplus funds of the 12 banks and 90% to the United States Treasury as a franchise tax (or interest) to the government for the use of the government's credit.

"The Federal Reserve System was 40 years old, Dec. 23, 1953. During these 40 years, the Bureau of Engraving and Printing has prepared and distributed to the Federal Reserve System about \$140 billion in Federal Reserve notes (printed money). About \$30 billion of these notes is still outstanding in the pockets and tills of the people and is in daily circulation, except some of it that is hoarded or has been destroyed.

"The Federal Reserve banking system is set up as an agency or instrumentality of the government, and it operates solely on the government's credit through its power to create money, which includes the power to determine the volume of money, its value, interest rates and is charged with the duty of performing a public service, not organized for profit.

"Contrary to reports, it is not owned in whole or in part by the private banks. Investments and reserves of the private member banks are not used by the System in its operations. It is a central bank owned and operated by the government, as central banks in all countries are so conducted.

"Under our form of government, which I consider is a Democracy in a Republic, it is contemplated that the House of Representatives, which is close to the people—not one of its Members appointed, all elected by the people every two years—has control of the pursestrings of this nation.

"All departments of government, including the Legislative and those within the Executive and the Judicial branches, must secure money in the form of appropriations for their activities and operations from the Congress every year.

"The officials of the Federal Reserve System deny that it is within the Executive branch of the government, but admit it is an agency of the Congress of the United States — the Legislative branch. However, the System having the power to create money, without cost, and buy government interest-bearing securities has plenty of money of its own to pay its expenses, and during the 40 years of its existence has never been forced to call upon Congress for an appropriation.

"The fact that the System does not need appropriations deprives the Congress of the privilege of being informed annually about its operations. Not only has the Congress been kept in the dark during these 40 years about what the System has been doing because it did not have to get any appropriation from Congress, the System has not during this time made adequate reports to the United States Congress—its master—as to what it was doing or the extent of its operations. Oth-

erwise, it would not be paying Federal annual salaries of $25,000, $50,000 and $60,000, which are clear out of proportion. Neither would the food bills for the officials and employees in the restaurants and cafeterias be subsidized up to 50%. A hasty examination by this Committee of the way and manner public funds are expended by the System will probably result in shocking disclosures."

Martin Opposes Govt. Audit of Federal Reserve

Chairman of Federal Reserve Board tells House Committee on Government Operations, adding Comptroller General to existing auditing agencies covering Federal Reserve Banks would make for duplication and needless expense, and might constitute an entering wedge in encroaching upon their independence of judgment which Congress has sought to safeguard.

On June 2, Wm. McC. Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System, appeared before the House Committee on Government Operations in opposition to a bill (H. R. 7602) which would direct the Comptroller General to make an audit of the Federal Reserve Board and the Federal Reserve Banks for the year ended Dec. 31, 1953. In his statement made to the House committee, Chairman Martin stated:

W. McC. Martin, Jr.

"The functions and responsibilities of the Board of Governors and the Federal Reserve Banks are such that Congress has provided that they be carried out with independent discretion and judgment. Accordingly, the expenses of the Board and of the Federal Reserve Banks are not subject to the budgetary and auditing control of any other agency of Government. The Board of Governors is the governmental supervisory agency of the reserve banking system and as such has responsibility for general supervision over expenditures at the Reserve Banks (which include the great bulk of System expenditures). It also has direct responsibility for expenditures at the Board.

"For many years the Board had its own accounts audited by representatives of the auditing departments of the seven nearest Federal Reserve Banks on a rotating basis. However, in order to avoid any question as to the impartiality of these audits, in 1952 the Board engaged the firm of Arthur Andersen & Co. to audit its accounts. The certificate of the audit for 1952 was included in the Board's Annual Report for that year. The firm has completed an audit of the Board's records for the year 1953 and a copy of its report has been sent to the Congressional Banking and Currency Committees.

"Manifestly, Federal Reserve operations should be conducted with maximum efficiency and economy. To that end Congress placed upon the Board of Governors, which is a part of the Government, direct responsibility for general supervision and periodic examination of the Federal Reserve Banks. The Federal Reserve Act also provides that each Federal Reserve Bank should have a board of directors of nine men chosen from their respective districts. They are outstanding men in their communities, prominently identified with industry, commerce, agriculture, banking, and professional life, who bring to the Reserve Banks their personal experience in applying high standards of efficiency in their fields of private enterprise. It has thus been aptly said that the Federal Reserve combines advantages of Governmental control with advantages of private business management.

"The Board believes that the Congress has provided a sound, prudent, and adequate means of achieving efficiency and economy in Federal Reserve operations by combining in one agency, which of necessity is thoroughly informed concerning Federal Reserve Bank operations, not only the authority to examine and audit, but also the power to put into effect through its supervisory authority any improvements the need for which is thus disclosed. Legislation to superimpose a further audit of these operations by another Government agency would make for duplication and needless expense. Moreover, the audit might constitute an entering wedge in encroaching upon that independence of judgment which Congress has sought to safeguard. Such independence of judgment is indispensable in the determination and execution of impartial credit and monetary policy. If through some measure of control over the finances of the reserve banking system, another agency of Government could restrict operations which the System deemed necessary in performing its statutory functions, the resulting substitution of judgment could only result in a growing loss of effectveness of the Reserve System.

"In meeting its statutory responsibility of exercising general supervision over the Reserve Banks, the Board constantly strives through budgetary measures, comparative cost studies, and similar methods to increase economy and efficiency of operations. In addition, its staff of examiners conducts a thorough and effective annual examination of each Federal Reserve Bank and branch.

"In order to be assured that its examination procedures meet the highest standards of commercial auditing procedures and techniques, the Board has adopted the policy of engaging a nationally recognized public accounting firm to accompany the examiners on one Federal Reserve Bank examination each year for the purpose of reviewing and observing the procedures in actual use.

"The Federal Open Market Committee by statute is exclusively a policy making body and, therefore, does not handle any funds. However, the annual examination of the Federal Reserve Bank of New York, which is the bank designated to carry out System open market transactions for the 12 Federal Reserve Banks, as directed by the Federal Open Market Committee, includes a comprehensive examination of the accounts relating to these transactions.

"The Board believes enactment of the bill, H. R. 7602, would conflict with the fundamental purposes which Congress has sought to achieve in the Federal Reserve Act and, therefore, would be contrary to the public interest."

Joins Dean Witter Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Earl C. Borton is now with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with the American Trust Company.

Approves Aims of Tax Revision Bill

June issue of the "Monthly Bank Letter" of the National City Bank of New York says proposals for tax reforms are too vital to be made prey of partisan policies.

The June issue of the "Monthly Bank Letter," monthly publication of the National City Bank of New York, in an article discussing the Tax Revision Bill, passed by the House of Representatives and now pending in the Senate, praises the aims of the measure and points out the principles involved are too vital to be made the prey of partisan politics. Concerning this, the article states:

"We need a tax structure that can give a balanced budget, progress and prosperity without clipping anything more off the value of money. Barring wars, we have realized those objectives in the past. We can have little chance of succeeding if we make it the central object of fiscal policy to take away from people who can afford to take a risk in business the wherewithal for doing so. Before we swallow the poison that inflation is the way to prosperity we ought to try the remedy of tax reform.

"These matters are too vital to be made the prey of partisan politics. The Secretary of the Treasury, testifying April 7, reminded the Senate Finance Committee:

"'The fact that our tax system needs revision is not something, incidentally, that the Republican Party has just suddenly proposed.

"'For years congressional committees, with Democratic Chairmen and Democratic majority membership, have recommended revision. And Democratic minority members of the House Ways & Means Committee in 1947-48 when the Republicans were the majority in Congress, also recommended revision and specifically listed double taxation of dividends and more flexible depreciation as items needing prompt consideration.

"'The general tax revision bill now before you, in other words, is not an arbitrary proposal of this Administration. Most of its major provisions have been developed after long objective study and—in the absence of compelling political reasons to the contrary — have over the years been supported on both sides of the aisle in both the House and the Senate.

"'With most sincere conviction, I say that a modernization of our tax structure, as provided in part by the present tax revision bill, is something which this nation must have for continued growth and prosperity.'

"The Secretary emphasized that the Tax Revision bill is only a part of a program involving $7 billion tax reductions. On the bill itself he made three main points:

"'First, it is designed as a reform of the tax structure and not a tax reduction bill. We must keep this in mind as we hear the arguments against it which are based on the misinformation that it is cutting taxes in what some people think is "the wrong way." It is a reform program which has been proposed for years and years as needed reform.

"'Second, it helps millions upon millions of taxpayers who have been plagued by unjust and unfair hardships over many, many years.

"'Third—and most important of all—it will help our economy to grow; it will help new businesses to start, old businesses to expand, all businesses to modernize, and so help the creation of more and better jobs, and better living for everyone.'

"In objecting to income tax reduction in 1947 the Democratic minority on the House Ways and Means Committee stated:

"'The sound approach toward postwar tax revision is to make a comprehensive study of the entire Federal tax system, including individual income taxes, corporate income taxes, estate and gift taxes, and excise taxes. Such a revision should aim at equitable adjustments, incentive effects, and sound administration under peacetime conditions.'

"The present Tax Revision bill has these aims."

Milwaukee Bond Club Annual Field Day

MILWAUKEE, Wis.—The Bond Club of Milwaukee will hold its annual field day and picnic on Friday, June 11 at the Oconomowoc Lake Club and Oconomowoc Country Club. Harold A. Franke, The Milwaukee Company, is general Chairman. Luncheon will be served from 12:00 to 2:00 p.m. and dinner at 7:00 p.m. Guest fee $10.00.

Activities scheduled are Baseball (Committee: Lyle W. Hamann, Central Republic Co. and Matthew Gonring, B. C. Ziegler & Co.); Bridge (Committee, Fred Newton, Loewi & Co., and Ed Levy, Straus, Blosser & McDowell); Golf (Committtee, Thomas L. Mosher, The Milwaukee Company, and Emmett Sheridan, Paine, Webber, Jackson & Curtis).

The Chicago-Milwaukee Team Championship match will be played between Richard Wernecke, Ames Emerich & Co., and Richard Vermillion, Smith, Barney & Co., representing Chicago, and Robert Johnson and William Martin of the Milwaukee Company, representing Milwaukee.

Prices will be awarded for low gross, low net, long drive, nearest to pin (Hole No. 3 on tee shot, and Hole No. 18, second or third shots off tee); high gross, least number putts; guest prizes for low gross and low net.

Teams entered in the Calcutta Handicap are: Edward Slezak, Loewi & Co. and Robert Haack, Robert W. Baird & Co.; Jos. Fuller, William A. Fuller & Co., Richard Wernecke, Ames, Emerich & Co.; Brent Rupple, Robert W. Baird & Co., Robert Johnson, The Milwaukee Company; Sandy MacRury, Merrill Lynch, Pierce, Fenner & Beane, Robert Westervelt, Bell & Farrell; Lyle W. Hamann, Central Republic Co., Jack Baumann, The Milwaukee Company; Oliver Julien, Thomson & McKinnon, Clement Stock, Investors Service Co.; William Martin, The Milwaukee Company, Mat Gonring, B. C. Ziegler & Co.; Frederick Jenkins, Brew-Jenkins Co., Lloyd Secord, The Milwaukee Company.

Joins Boettcher Staff

(Special to The Financial Chronicle)

DENVER, Colo. — James C. Blickensderfer has joined the staff of Boettcher and Co., 828 17th Street, members of the New York Stock Exchange.

With Cantor, Fitzgerald

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Robert M. Park has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Continued from first page

Investor Owned Utilities Can Supply Nation's Power Needs

2.16¢ in pre-war 1939. For residential service the average price paid last year was 2.74¢ as compared with 4¢ in 1939. (Incidentally, it was 24¢ in 1883, the first year for which data are available.) The household user today only spends about 1% of his disposable personal income (i.e., the money he has left to spend after taxes) for electric service. In industry only 6/10ths of 1% of the cost of the finished product on the average was spent for electricity last year.

These exceptional records have been established during an era of unusual inflation, when the purchasing power of the dollar has dropped 50%, when construction costs, Federal taxes, labor rates and the price of fuels have more than doubled. These economic changes have made rate increases a necessity, but through engineering achievements, improvements in operations and well directed sales efforts, prices for electricity are lower today than they were before World War II.

Industry's Early Struggles

Like many other industries, the early progress of the electric business was marked by the struggles, trials and tribulations of devoted men to convince a doubting public of the advantages to be gained from the widespread use of the service. First came the inventor. Then came the always difficult and often insuperable task of financing unproven ventures. Simultaneously there followed, step by step, developments in electrical equipment manufacturing and in the design and construction of generating plants, transmission and distribution lines, operators to make the system work and salesmen to induce the people to spend their money for various types of electrically operated equipment to utilize the service. At the beginning, the financial man, the designer, the constructor, the operator and the salesman were usually all one person. But these *entrepreneurs* set in motion a process of improvement and expansion that has continued to this day.

The operating engineers, stubbing their toes, barking their shins and skinning their knuckles against hard physical facts, men keenly observant in diagnosing troubles, in seeing what could be improved and how to accomplish it, consulting with their colleagues in the business, applying cut and dry methods, demanding improvements from the designers, both in the manufacturing establishments and in the power companies, eagerly seized each new advance in science, overcame hurdles, broke through or around barriers, and tackled new problems as they arose, with the determination to solve them. Undoubtedly, they were inspired by the philosophy of the great Edison, who said: "You know, I've been in the inventor business for over 33 years, and my experience is that for every problem that the Lord has made for me He has also made a solution."

It is a tribute to the essential faith of these early pioneers in the American way of business that they did not give up. The profit motive, of course, was a major factor in keeping them and their associates constantly at work overcoming obstacles, improving their products, and seeking widening public acceptance.

Gratifying Achievements

The past achievements of the electric industry are most gratifying to those who have had any part in it. It stirs one's pride of accomplishment. Pride of performance is commendable, providing we do not let self-satisfaction stop effort and that we do not relax under the false assumption that we have arrived and have no further to go.

We have set standards of improvement that afford us no prospect of relaxation in the years to come in our efforts to serve capably.

After a year of duties that have brought me in contact with electric companies in many parts of the United States, I can say that as a group we are not complacent. We are striving to improve, to make further advancements and to better our service to the customer.

We are convinced that we have before us the same opportunities for progress and the same need for struggle, courage, hope and the will to win that Edison and his colleagues had. And we expect to be rewarded for intelligent, sustained effort. At the same time, we also can expect vigorous opposition to every advance. We must overcome these obstacles just as the hardy pioneers did. We must overcome discriminatory legislation and discriminatory interpretation of legislation against the customers of the investor-owned utility companies.

I call to witness our outstanding progress in steam power generation, in transmission and distribution design and practice, all of which has helped to reduce the price of electric service. I also call to witness the spirit and steps undertaken by the investor-owned companies when there appeared on the horizon the possibility of an even lower-cost source of electricity through the use of atomic energy for power production. We have not minimized this new possibility. Our attitude is one of determination that as fast as science and engineering may make it possible for our customers to obtain more economical power from other new sources, we will do everything possible to make it available. This is evidenced by the many power companies that are actively engaged in research work in atomic energy.

Atomic Power Development

Recently a number of power companies among others bid competitively for a contract with the Atomic Energy Commission (AEC) to build the first utility power plant that will use atomic energy from a nuclear reactor as a source of fuel. The Duquesne Light Company of Pittsburgh was the successful bidder and along with the AEC and the Westinghouse Electric Corporation is now embarked upon this program.

The Edison Electric Institute has pledged its cooperation to the AEC and urged the amendment of the present Atomic Energy Act so that, supplementing the Federal Government's activity, investors with their money may speed the development and utilization of atomic energy for power purposes for the benefit of the public.

When I took office as your president, I stated I would at every opportunity make known to the American people the facts about the unfairness and the inequities of government power competition as they affect the customers of the investor-owned utility companies.

In talks and articles I have endeavored to fulfill this pledge. The experience in so doing has sharpened my understanding of the forces that motivate the actions of those supporting and those opposing the issues confronting our business. I would like to touch upon a few of the issues which appear to be the more significant.

People generally prefer not to be dependent upon the Federal Government for their electricity supply. This preference has been revealed in nationwide surveys. Apparently they have an inborn fear of the domination that can come from the Federal Government as a result of being in proprietary operations on a large scale. Many believe that government proprietary business is a threat to all private business and that without private enterprise there cannot long remain political freedom and personal liberty. Evidently, the deeper and more widespread the Federal Government's business operations become, the greater this apprehension becomes and the greater the people's desire to live under the philosophy of free enterprise.

Public Power Propaganda

The initiation and expansion of the Federal power business has practically always been tied in with the development of natural resources, and often with resource developments where the real benefits as compared with the true costs were doubtful, and in some cases clearly inadequate. The spending of Federal tax monies for such projects naturally has always had very strong popular appeal in the areas where the construction monies are to be spent.

The efforts to put the Federal Government in the power business have frequently been preceded or accompanied by a flood of propaganda aimed at creating the impression that government can produce and sell electricity more cheaply, and that once the power plants have been completed the availability of so-called low-cost power will attract new industries and thus sustain additional payrolls and more business in the areas. These advocates, however, never divulge that industry rarely locates in any area because of low-cost power alone, nor that the so-called low-cost power results from subsidies made possible at the expense of the taxpayers in other sections of the country.

Propaganda has been for years disseminated skillfully, often by government officials, creating the fear of impending power shortage — the impression that investor-owned companies will be unable to provide adequate power for national defense—or creating the fear that the job of supplying the nation's power requirements is too big for private industry and the Federal Government must step in.

Experience has taught us to regard all such statements with concern because, in general, they are designed to disarm the proponents and supporters of the free enterprise system. It is our duty to our customers, employees and security holders, all of whom pay Federal taxes—indirectly through their electric service bills and directly through income and other forms of Federal taxes—to inform them of the real facts and the harmful effects upon them of this propaganda and these claims.

Selling Power Below Cost

Roughly, it appears that the bait used to extend the government's power operations was to price power at about one-half what the investor-owned utilities charge for the service, which was also about one-half of its true cost to the government. The latest REA purchased power report (for the fiscal year ended June 30, 1952), is one example of this. It shows that the various Federal power agencies sold electricity to the REA Co-ops in fiscal 1952 at an average price of 4.9 mills a kilowatt-hour and that the price charged the Co-ops by the private companies averaged 8.6 mills, whereas the average price charged to Co-ops by REA generating stations was 13.7 mills.

You never see a government-owned power business or any other government proprietary business that is divorced from big subsidies. Why? Because stripped of subsidies it could not obtain or hold business—it would have no appeal.

Federal taxes are, of course, the big differential, the big subsidy. The customers of the investor-owned utility companies pay 13.7c of every dollar collected from them in their electric service bills for the support of the Federal Government. This amounted to $809,000,000 in 1953. Incidentally, prior to 1932 it was less than 3c of every dollar collected. Customers of government power agencies on the other hand are exempt from paying through their electric bills this share of the cost of the Federal Government, as government power operations do not pay Federal taxes.

Another 8.6c of every dollar electric light and power companies collect from their customers goes for the support of state and local governments, but government power agencies make little, if any, payments in lieu of state or local taxes.

The TVA Story

You may recall the cry that went up at the time TVA took over the generation and transmission facilities of private power companies in the State of Tennessee. Some of the people of Tennessee strongly advocated that Congress should amend the TVA Act so that the Authority would pay taxes on the same basis as displaced private enterprise had been doing. The proposal was opposed vigorously by the late Senator Norris, father at the TVA Act, who declared, and I quote from the "Congressional Record" of April 13, 1939:

"A proposal from a great association of Tennessee says, in effect, 'Let the TVA property be subject to taxation the same as everybody else's property.' On my desk now there is a printed amendment intended to be offered which provides that all property of the TVA shall be subject to taxation everywhere under the local laws of taxation. If we go to that extreme, Senators can see that the TVA would be out of business in three months."

TVA was therefore required to raise temporarily its percentage rate of payments in lieu of taxes, but present payments are far from being comparable with what the electric utility companies pay. In 1953, TVA's total payments in lieu of taxes were 3.26% of revenues. Compare this with the percentage of 8.66% to state and local governments by the investor-owned companies. The distribution systems in the TVA area also pay some "in lieu of" local taxes, but the total for the combined operation—TVA and its distributors—is only 4.95%. A comparison based on mills per kilowatt-hour sold is even more striking—electric utility companies pay 1.7 mills per kilowatt-hour to state and local governments. TVA pays 14/100ths of 1 mill and the combined TVA-distributor operation pays 38/100ths of 1 mill. And of course none of them pay Federal taxes.

Another subsidy I would like to briefly mention is that Federal Government power operations escape paying interest or return on the capital supplied by Congress to build power facilities in some instances. You will recall that only a few weeks ago, when the House Appropriations Committee proposed that TVA should pay interest on the monies appropriated by Congress, supporters of TVA staged a frantic and successful pressure drive to kill the proposal, even though the suggested rate of interest was lower than the full cost of money to the Treasury. Why? According to press reports, Congressmen from Tennessee and Mississippi told the House Rules Committee this would cripple TVA.

The securities issued by government power projects other than Federal are also free from Federal income taxes and in many instances free from state income taxes.

To sum it up, if the Federal Government with the monies of its citizens is going to compete with them in business, certainly it should be on an equal basis with investor-owned business, charging to such business the true costs of doing business, and not base its prices on subsidized costs at the expense of the customers of the investor-owned utility companies and other taxpayers.

The Federal Government's power operations on a true cost basis cannot match our record. If the government included all costs in its prices for power, in practically every case the resulting prices would be greater than the market value of power in the same area that is or could be produced by electric power companies under the regulation of public service commissions controlling power company rates.

The "Give-Away" Argument

In many instances, when utility companies have sought to obtain licenses to develop hydro-electric projects or to participate in the power portion of a multi-purpose water resource development, the advocates of an ever-expanding Federal power business have charged the investor-owned companies with attempts to grab or steal national assets. This is a "give away" of the nation's resources, they claim. This charge has been made in the case of Hell's Canyon, where the Idaho Power Company is attempting to obtain a license to develop additional power on the Snake River. It has been raised quite recently when five companies in the Pacific Northwest have asked for permits to develop two projects on forks of the Clearwater River in Idaho. It has also been made in the case of the Niagara redevelopment, which five utility companies in New York State are prepared to undertake.

What can these power companies do with these assets other than to put them to work for the benefit of all the people in the area, and by so doing add something to regional growth and prosperity and provide additional sources of tax revenues for the Federal, state and local governments? Their systems are interconnected with the power supply systems of the area and are under regulation, so that the public's interest in receiving the full benefits from the power produced at all such projects is amply protected.

The position of this industry with respect to sound water resources development was clearly set forth by the Institute over four years ago in a presentation to the President's Water Resources Policy Commission. The statement of principles announced then is just as sound today.

The course pursued in the past of attempting to exclude the utilities from such participation has resulted in substantial additions to the nation's tax burden, needless duplication of expenditures, and discrimination against one substantial group of citizens (the taxpaying customers of the private utilities who constitute 80% of the users of electricity) in favor of another and smaller group (the customers of government-owned power systems who pay little or nothing in the way of taxes in their electric bills).

Never at a loss for an issue, however, the propaganda theme more recently emphasized by the public power advocates is that both private enterprise and the Federal Government are needed to develop power—that the job can best be done by both. At long

last this in itself is somewhat of a concession for them to make, but even this contention that both are needed is demolished by the remarkable record of the private power industry both during and since World War II.

Misleading Propaganda

A specific example of recent misleading propaganda is the preposterous claim that, if it had not been for TVA the production of the atom bomb might have been delayed two to four years and were it not for TVA's ability to produce an extraordinary amount of power for production of our own atomic bombs, atomic bombs would have been dropped by now on the United States.

The facts are that the kilowatt-hours sold by TVA to the AEC at Oak Ridge during the fiscal year 1944-45, the peak year of war production, were 6/10ths of 1% of the total kilowatt-hours supplied by the electric light and power industry, and the TVA's sales to all Federal agencies including the AEC during the same year were 8/10ths of 1% of the total supplied. During this same period the electric light and power industry had a reserve of generating capacity of 20%.

TVA actually delivered 158,500 kilowatts to Oak Ridge during the month of December, 1944, which represented approximately 3/10ths of 1% of the generating capacity of the electric light and power industry. By June, 1945, this percentage had reached a little less than 6/10ths of 1% and by 1949 the kilowatts under contract to Oak Ridge represented 4/10ths of 1% and as of the present time represent approximately 1.8% of the industry's generating capacity.

It was a high-ranking Federal official, who had to deal with power supply during World War II, who made the statement that "power was never too little, or too late."

"Power Shortage" Myth

Another favorite rallying cry of the public power advocates is "power shortage." In spite of all the propaganda put out about it, this country has never known the meaning of the words "power shortage." One would have to be familiar with the experiences of other countries to find its meaning.

During World War II about 750,000 kilowatts of generating capacity were taken by the Federal Government from investor-owned utilities, some going to Russia, some going to industrial operations in this country for self-generation and some going for the atomic energy program at Oak Ridge. A portion of this capacity was obtained by removing machines from the foundations in utility companies' plants in this country, the remainder by diverting equipment which the utility companies had on order with manufacturers. In addition about 1,250,000 kilowatts of generating capacity, which the utility companies had on order with manufacturers, were cancelled or deferred in manufacture until after hostilities, thus delaying by several years their completion and installation to and even beyond the time when the demand for power was mounting in the rapidly expanding postwar civilian economy.

And yet despite this diversion of equipment, materials and manpower, thanks to the ingenuity, the foresight, and the engineering and operating know-how of the people who man America's power companies, only occasionally have local power shortages materialized and then for relatively short periods in particular areas. Usually they have resulted from drought conditions in areas heavily dependent on hydro-electric power. The growing percentage of steam generation in nearly every section of the country, coupled with the effectiveness of power system interconnections, has rendered these occasional local deficiencies less and less likely.

Record of Private Companies

The record of the investor-owned electric power companies since the close of the last war in providing new facilities to meet the ever expanding requirements of the nation is probably unequalled by any other segment of our economy. Total investment in their electric facilities has increased from a little over $12.5 billion in 1945 to about $26.5 billion today. According to the U. S. Department of Commerce, expenditures for new plant and equipment for all private industries in the country since the war have amounted to only slightly over $171 billion, which indicates that the electric utility companies' expansion accounts for 1/12th of the total. Construction expenditures of the investor-owned electric light and power companies in 1954 are estimated to be about $3 billion—the highest of any year.

Last year there was installed by all segments of the electric utility industry (investor, co-operative and government-owned) 10 million kilowatts of generating capacity. At the end of 1953 the total generating capacity was 95.5 million kilowatts and reserves of generating capacity exceeded 17.6%. The additions scheduled this year are about 13.7 million kilowatts and for 1955, 11.6 million kilowatts. Electric company managements will build generating capacity even more rapidly if the potential rate of increase in the use of electricity warrants.

It is obvious from the above that there is no need for the Federal Government to appropriate money now, or at any other time, to assure an adequate power supply for this country. The Federal Government, after spending many billions from the Treasury and taxing American business and the public to supply this money, is generating about 11% of the nation's power production, including generation by industrial plants for their own use. Twenty years ago power production from Federal plants was only 3/10ths of 1%. At that time, and for years before, and again today the big job of the utilities was and is to find and create non-subsidized markets for the electricity from the power plants they have built and are building.

The "Fear" Theory

It should be plain that if the full responsibility were left to it, private enterprise would continue to provide this country with an ample supply of power for all needs at reasonable rates as determined by regulatory authorities. It's just that fundamental and simple. Where there has been any question on this point, it has arisen because the Federal Government has divided and mixed the responsibility for power supply in certain areas and by its unfair taxation policy and its failure to charge its customers the full cost of producing power, has introduced an element of fear. There is genuine cause for the deep fear we have of the destructive force of government taxation. "The power to tax is the power to destroy."

In the case of economically justifiable multi-purpose water resource projects, the best over-all solution will come when private enterprise is given full opportunity to participate in the development with an equitable distribution of responsibilities accorded each function of each project.

I am sure that the investor-owned companies have been encouraged by the participation policy announced by the present administration and outlined in speeches by responsible officials of the Department of Interior. Certainly the power companies will be found anxious, willing and able to do their part.

But the enemies of free enterprise are skillful, aggressive, persuasive. They will continue to invent new issues. We must be prepared to meet them.

The pioneers of this industry, too, were beset with many problems and opposition. Despite ridicule and skepticism, by dint of hard labor they justified the trust of their associates and financial backers and brought the age of electricity to the world. We must be equally resourceful.

Management's Task

Our course in the face of the opposition is clear. The true interest of the public must be the compass to guide the course of management. We must give good service to our customers in both the narrow and broad sense. Adequate electric power at the lowest possible price consistent with a fair return on the value of our property of itself is not enough. There is a broader concept of service to which we must further contribute some of our talents and efforts. We should further utilize our great planning and administrative abilities for sound community betterment and area growth, for fostering industrial development, and for improving those things that go to make the "home town" a better place in which to live. Progressive, enterprising, understanding, tolerant—we must truly be "a citizen wherever we serve." This calls for able leadership and a sound program to go with it.

I realize that there is a limit to how far we can go in matters of this nature, but certainly the electric companies are well equipped to help in such endeavors to the benefit of all segments of the economy.

One more thing and it is important—we must keep the public informed of the facts about our business. The road blocks we face will in the final analysis be resolved, as all such problems are resolved, in the court of public opinion. You may have told your story time and again, but it needs to be told continuously. We are so apt to forget that our audience is constantly changing and that it is too concerned with its own personal affairs to remember much of what we say.

In conclusion, I ask this question: Is this country going to continue to place its reliance in the free enterprise system? The record shows that as far as the production of electric power is concerned, the American people can wisely and safely entrust this business to private enterprise. If such is their verdict, and I am confident it is, the policies of the Federal Government should be shaped so to help, and not hobble, the private utilities. I am sure that when all of the facts are thoroughly understood by our citizens, they will come to but one conclusion on the basis of 75 years of experience, namely:

That the Federal Government should not engage in the generation, transmission and distribution of electricity in competition with the investor-owned electric utility companies.

H. Hodge Davidson Forms Davidson & Co., in S. F.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — H. Hodge Davidson, member of the San Francisco Stock Exchange, is forming Davidson & Co. with offices at 155 Sansome Street. Associated with him will be Hector Harrison, Charles F. Kirchen, Glenn H. Nielsen, Leland F. Scott, Harvey H. Shields, Jr., and William L. Warner. All previously were with Bailey & Davidson.

Leterman & Leterman

OKLAHOMA CITY, Okla.—Leterman and Leterman has been formed with offices at 400½ Northwest 22nd Street, to engage in a securities business.

First Boston Group Offers Alcoa 3% Debs.

Public offering of $100,000,000 of 3% sinking fund debentures due June 1, 1979 of Aluminum Co. of America was made yesterday (June 9) by a nationwide group of 177 investment banking firms headed by The First Boston Corp. The 25-year debentures, which are priced at 100% and accrued interest, have a sinking fund, beginning in 1956, which will retire at least 95% of the issue prior to maturity. The debentures are redeemable for general purposes at prices ranging from 103 if redeemed on or prior to June 1, 1955 to par after June 1, 1976 and for sinking fund purposes at par.

In early 1952, Alcoa financed its prospective capital expenditures of $410,000,000 through public sale of $125,000,000 of 3⅞% debentures due 1964 and issuance of $100,000,000 of 3% serial bank loans due to 1956. The management subsequently deemed it advisable to add new projects totaling $50,000,000 and to raise additional funds for working capital and other corporate purposes. To date the augmented program has been financed with $75,000,000 of short-term bank loans, which will be repaid with part of the proceeds of the proposed sale of $100,000,000 of debentures due 1979.

Chief items included in the expansion program begun in 1951 are new smelting plants at Wenatchee, Wash., and Rockdale, Tex.; expansion of smelting facilities at the existing Point Comfort, Tex., plant; a new alumina plant at Bauxite, Ark.; expansion of existing alumina facilities at Mobile, Ala.; a new fabricating plant at Lancaster, Pa., for aluminum rivets, nails, fasteners and screw machine products; a new plant at Bauxite, Ark., for production of chemical products from alumina; and expansion of fabricating facilities at Vancouver, Wash.

Now in its final stages, this expansion program is currently scheduled for completion in 1955.

Expansion of the company's facilities since 1950, a substantial portion of which has been done under contracts with the Government, has resulted in an increase in Alcoa's annual primary aluminum production from 353,500 tons in 1950 to 611,000 tons in 1953. During the same period, the company's consolidated sales rose from $473,248,000 to $707,538,000. Net income for the respective years increased from $46,856,000 to $48,848,000.

Alcoa, the largest of the three domestic producers, accounted for nearly 49% of U. S. output of primary aluminum in 1953, including production from temporarily reactivated facilities using high-cost power. Other than government business, sales of aluminum fabricated products used in such industries as transportation, construction, electrical, appliance and machinery, account for a major portion of the company's total volume.

Britain Looks for Peace and Trade With Communist Bloc

By PAUL EINZIG

Dr. Einzig, commenting on prospects for peace in Far East, holds a development toward this end would be of importance as affecting world commodity markets, industrial activity, the balance of payments situation and the Stock Exchanges of a number of countries. Notes items of improvement in world-wide economic conditions.

LONDON, Eng.—At the time of writing the prospects of the Geneva negotiations are viewed with a certain amount of guarded optimism. During the last week of May the situation appeared to improve, and fears of a deadlock became distinctly less pronounced. Needless to say, quite possibly by the time these lines appear in print there may be a complete change for the worse; the military successes of the Viet Minh forces may stiffen the attitude of the Communist negotiators, and attempts at an acceptable settlement may fail. On the other hand, it is, to say the least, possible, that the first fortnight of June may witness genuine progress towards peace in the Far East.

Dr. Paul Einzig

The question is, how would a settlement at Geneva affect the economic situation in the Western world? Much depends on whether such a settlement would be followed by a similar understanding in Europe between the Communist Bloc and the Democratic countries, and whether the two settlements would lead to an agreement on disarmament, or at any rate on the limitation of armaments. There can be no doubt that, should a major settlement be reached in one sphere, it would create the right atmosphere for making progress in other directions. Nevertheless, it would be unwarranted optimism to expect that difficult problems such as those of Germany and Austria, and especially controlled disarmament, could be achieved in the near future.

Even so, the termination of hostilities in the Far East would in itself be a development of immense importance, and would be liable to affect the world commodity markets, industrial activity, the Stock Exchanges, the balance of payments position of various countries, etc. In a word, a Geneva settlement would be a major factor in the international economic situation and business outlook.

Had such a settlement been reached soon after the "cease-fire" in Korea it might have produced grave repercussions in the Western world. As a result of the Korea boom commodity markets and Stock Exchanges reached levels at which they were highly vulnerable. Industry in the United States, Britain and other countries, was heavily engaged in rearmament. The cancellation of arms orders might have produced a slump, especially as there would have been little likelihood of a sudden increase of civilian demand to replace the government purchases. There was at least a possibility of a grave slump.

The economic consequences of a peace settlement today would be incomparably less destructive. In the meantime the situation has undergone a drastic change in more than one respect:

(1) Rearmament passed its peak in the Western countries. Their industrial prosperity is no longer dependent on it to anything like the same extent.

(2) Stockpiling has long ceased to be a dominant factor in world commodity markets.

(3) Commodity prices are no longer artificially high, and any selling brought about by a peace settlement could be absorbed in most markets without any disastrous fall of prices.

(4) Business conditions in the United States have been rather subdued during the last 12 months or so. As a result there is much less likelihood of a slump than there would have been after a prolonged boom.

(5) The artifical effect of the Korean war on the balance of payments situation became reversed in 1951-52, and the Sterling Area having weathered the crisis resulting from the reaction, has now consolidated its exchange position.

(6) Even though Stock Exchanges have been persistently firm in recent months, the situation is not considered inherently unsound and does not call for a reaction.

(7) Civilian demand and production for civilian requirements are at a high level. Even though much of the postwar inflation has been mopped up, purchasing power remains plentiful.

(8) The psychological effect of a settlement would be more favorable than it would have been three years ago.

This latter consideration is particularly important. Rightly or wrongly there is now a feeling that the first important step toward peace would be followed by others. This optimism would go a long way toward encouraging demand for goods and securities. Indeed it might even produce excessive effects in the shape of a "peace-in-our time" boom instead of a much-dreaded slump.

It is of course very difficult to foresee how a settlement at Geneva would affect the balance of payments of any particular country or currency area. In the absence of a slump in the United States, however, there is no need to fear the development of a strongly adverse trend in Sterling Area exports to the Dollar Area.

Much would depend on the extent to which a settlement would be followed by a reduction of arms expenditure. In the absence of a settlement in Europe there would be practically no reduction. Even a settlement in Europe would not necessarily be followed by any marked cuts in arms expenditure unless an agreement is reached for disarmament. As for the latter, its possibility is so remote that it is pointless to speculate on its economic consequences. It seems reasonable to hope, however, that the world-wide effects of any such settlement would be on balance favorable to business activity rather than otherwise.

What matters from a practical point of view regarding the immediate future is that there is no reason to fear the economic effects of a settlement at Geneva.

George N. Patrick

George N. Patrick, limited partner in H. T. Carey, Joost & Patrick, passed away on May 28.

Securities Salesman's Corner

By JOHN DUTTON

The Investment Business Could Do It

Recently the Chairman of one of the nation's leading contracting firms, Mr. Louis E. Wolfson of Merritt-Chapman & Scott Corp., suggested that the reason many investors are not buying common stocks is that they have a fear complex. They invest their money in fixed dollar assets because they haven't confidence in common stocks. The 1929 crash still lingers in the minds of some, others have bought tax-exempt securities because of the high personal taxes and excessive taxation on corporation earnings; but in the opinion of Mr. Wolfson, high personal taxes, capital gains taxes, and the errors of the past are not the only reasons for investor timidity regarding investment in the ownership of American business.

There Is Another Reason

Admitting these deterrents to common stock investment, Mr. Wolfson stated that there are corporations where a few top executives, directors and associates are obtaining a much larger percentage of the net earnings after taxes than they should receive. He gave specific cases where officers and directors have drawn as much as 40% of the total net earned by a corporation and the rest was left for expansion and dividends. That these conditions exist in isolated cases is no secret.

Moreover, Mr. Wolfson said, time and again a company's officers have dealt with each other and with other corporations owned or controlled by themselves to the detriment of the corporation. These conditions cannot usually be rectified by the individual stockholder. Management in these cases become a law unto iteslf, standing above the rights of the stockholder.

He Who Sells Should Know What He Sells

Those of us who are selling securities could bring about some very substantial changes in this picture if we ever got together and laid the law down to those managements who have been guilty of abusing their positions of trust. I know of companies that fit the foregoing description very well. Insiders are sitting pretty, management is drawing fat salaries; progress and dividends are the last things in their minds. I don't wish to recommend the stocks of such corporations to my clients. But each of us individually can also do little to bring about this much needed correction in the cases where it is most required.

The Stock Exchanges and the non-member firms could compile a set of rules that would guarantee fair play toward the stockholders, so that every American investor would have the protection that is his right and his due. If people could be convinced that predatory and selfish management could not legally enjoy a favored position, and that the rights of the stockholder to a fair return on his investment would be the paramount objective, then we could begin to build a nation of stockholders in America. As it stands now we are only working around the fringes of such a desirable objective.

This subject is very big and broad but there are men in this country and in the investment industry that could set up a book of rules that would promote honest, competent management. Unless a corporation's management complied, listing would be refused and reputable dealer-brokers could and should refuse to handle the securities of companies that do not measure up.

Continued from page 24

Selling Action Required to Expand Electric Power Use

it's called "profitless prosperity."

Whenever the distance from the factory to the cash register gets too great, somebody's going to find a short cut. We may view the discount houses with alarm, but indignation will not wipe out the facts of their existence. In a harshly realistic sense, they are part of the process of adjustment. They did not create the situation, rather they illuminate it. They dramatize, in the selling field, the same situation that is easily recognized in the manufacturing field when production costs show the overload of obsolete methods and equipment. We know what always happens in this situation; somebody makes a cheaper ding-dong. And when obsolescence sets in, rigor mortis is not far behind. One example of this obsolescence which has become increasingly obvious to us is the gradual shift in the buying habits of the small town residents from their community stores to the big stores in the cities. Better roads, more automobiles and the natural aggressiveness of the big time merchandisers are positive and powerful factors in this shift. But the negative, "what's the use" attitude of the small town merchant has also been an accelerating force in this trend. Since we are more of a rural than an urban company, we took a dim view of this buying power flowing from our service area to that of our city cousins, much as we love them.

We had been preaching and, to some extent at least, practising the gospel of area development and community improvement for quite a while. Up until a year ago, however, no way had come to our attention of putting these ideas to work to help our commercial customers retain the business that was naturally theirs. Certainly here was an opportunity to demonstrate how we could help ourselves by helping others. A plan of action was developed by the late Bob Ely who was then sales Vice-President, and this plan was carried out under his direction last fall.

Lost Business Analyzed

It started off with an analysis of how much business was being lost by merchants in the smaller communities. When the facts developed from this analysis were shown to local chambers of commerce we had little difficulty in enlisting their cooperation. Surveys were made of local residents to determine what they didn't like about their community stores and what should be done to improve them. The next step was the organization of conferences in eight areas of Connecticut which were attended by several hundred merchants and businessmen. They were told that millions in trade a year was now being attracted elsewhere, a large portion of which could readily be retained locally providing they went after it. Twenty-nine experts in various phases of merchandising participated in the conferences. The total out-of-pocket expense which was borne entirely by our company was $2,500, or about $3.30 per prospect. It would have been impossible to give each of these prospects the same story individually, but even to attempt it would have cost several times as much.

It is too early yet to adequately appraise this store modernization program, although we can point to better than a score of projects directly traceable to it. Individual follow-up is essential and further conferences are being planned this year to keep the ball rolling. The incidental publicity which is created by these conferences is in my opinion worth the price of admission.

If there is one thing we have all learned in three wars, a depression, a couple of booms, and a half-century of lurching but continuous overall growth, it is that obsolescence is not a disease of the hands or feet of business. It is a mental illness that affects the whole body of business. As such, its elimination is mainly a matter of attitude, of intent, of understanding.

We know that the purpose of production is not just manufacturing, not simply lower unit cost, not even sales at a price. *The purpose of production is consumption.* Not making, not selling, not buying—but using.

In our business, we should know that best and most. In one way, we are lucky that producing electric power is linked so closely to consuming it. We have load dispatchers to adjust output to demand. Day and night, around the clock and the calendar, we fly the steady patterns—and the whims—of people and of the weather. We know the patterns well. Regular size or emergency, we are able to adjust much more quickly than other industries with a long time lag between product design, and ultimate use, and the eventual satisfaction that completes the circuit. It's a long circuit, with a lag of years, between the design section of an automobile company and the proud owner of a new car—not to mention the last, hopeful owner of the trade-in. By the time they get the answer to a new model, it's too late for the next question.

But sometimes I think the immediacy of this end of our business blinds us to the broad forces that continuously affect us as they affect all business. Our future market is conditioned by these forces. The same realities of selling bear impartially on the butcher, the baker—and the candle-power maker. On us.

All Business Is Competitive

For competition, like production, is total. Like General Motors and General Baking, and General Foods, a public utility is constantly engaged in proving its utility to the public. If we are to do more than meet demand, if we are to create demand, it must be in the honest awareness that a kilowatthour is in direct competition with a few slices of bread, three miles of gasoline, 15 minutes of movies, and a short beer.

Because "the public" is only an anonymous label for our fellow members of the human race who measure their wants in terms of living. People have a definite amount only of time and money. How we spend both is determined by our interests and our motives, our hungers and our satisfactions. These are less definite and more flexible.

Let us, therefore, appraise the future market in the knowledge

that electric power is not separate from other products; that demand, on the load dispatcher's dials, is not a thing apart from the public desire for electric living. Let us agree, that to sell that future market, we must first build it.

We know what we ought to do and how to do it. We know the tools. What we may not know, or accept, is that we must use the same tools as everybody else. That we have the same goals and operate under the same conditions. That our selling methods for the future market must be modernized to take into account what is happening to selling in other industries.

I still believe in doorbells, in the rough ratio of sales to calls. But I also know that television can ring a thousand bells at once —and consume a few kilowatt-hours while doing it.

I would like to see more salesmanship at the point of sale. But I have come to believe that selling is not a point but a process. A never-ending development of a relationship between buyer and seller that is continuously and mutually rewarding. What the oldtimers called "the slow pitch," the steady push for tomorrow's business.

Most of all, I think our industry must assume the kind of corporate attitude in which planning for *sales* has equal footing with the planning for generating capacity we now figure so carefully to fit general economic growth.

If we will devote the same thoughtful understanding to sales that we devote to calculating future demand, we will have a margin of merchandising also a little bigger than we think might be needed for maximum operation.

If we will devote to "selling for the future market" the same care for costs we devote to the manufacturing of electric power, we will be able to compete successfully in the total market for that grand prize we all seek—the satisfied customer. The people on the far side of the meters whose educated desires make the hands go 'round. The kind of people whose attitude adds up to—and makes possible—the future.

La Salle St. Women Reelect Miss Richardson

Joan Richardson

CHICAGO, Ill.—Joan Richardson, Glore, Forgan & Co., has been re-elected President of the La Salle Street Women.

Zilka, Smithers Adds

(Special to The Financial Chronicle)

Eugene, Oreg.—Robert J. Wise is with Zilka, Smither & Co., Inc., Tiffany Building.

Goodbody Adds to Staff

(Special to The Financial Chronicle)

BRADENTON, Fla.—Herbert B. Wheeler has become associated with Goodbody & Co., 512 Tenth Street, West.

Four With King Merritt

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—William H. Foster, George F. Hilt, John T. Sutcliffe and Samuel R. Wiggin are now affiliated with King Merritt & Co., Inc., 578 First Avenue, North.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Bradford A. Warner has been appointed Vice-President of **Manufacturers Trust Company, New York,** it was announced on June 7 by Horace C. Flanigan, President.

John D. Butt, President of the **Seamen's Bank for Savings, New York,** was also appointed a member of the Advisory Board of the Real Estate and Mortgage Department of Manufacturers Trust Company, New York, Mr. Flanigan, announced on June 3.

* * *

Irving Trust Company, New York, announced on June 9 the election of Frederick van B. Joy as Assistant Vice-President in the Personal Trust Division. A specialist for many years in the handling of estates, he came to the Irving in 1953.

Four men have also been elected Assistant Secretaries:

George J. Boslet, Jr., a member of the Irving's staff since 1945, is located at the Irving's 51st Street Branch Office.

Ellsworth J. Burns, starting with the Company in 1926, is a member of the Irving's central personnel department.

G. Brandon Smith, with the Company since 1948, is associated with the Irving's 21st Street Branch Office.

John G. Van Deusen, joining the Irving in 1953 after several years' experience as a security analyst and oil economist, is a member of the Irving's Investment Division.

* * *

The election of Charles F. Hickox, Crocker Nevin, and Philip E. Neary as Assistant Treasurers of **The Marine Midland Trust Company of New York** was announced on June 7 by James G. Blaine, President, following a meeting of the Board of Directors. Mr. Hickox and Mr. Nevin are associated with the Commercial Lending Division of the Bank and Mr. Neary, with its Business Development Department.

* * *

Appointment of Joseph G. Reilly as an Assistant Comptroller of **Emigrant Industrial Savings, Bank, New York,** was announced on June 3 by John T. Madden, President of the Bank. Mr. Reilly has been in the employ of Emigrant since 1936. In recent years he has specialized in tax matters and general accounting.

* * *

Election of John H. Hammett as Executive Vice-President and a trustee of the **Irving Savings Bank, New York,** was announced on June 8 by Robert A. Barnet, President. Harold E. Aken, was also elected a trustee. Mr. Hammett has been an officer of the Bank since 1939 and Vice-President and Secretaryy since 1946.

* * *

Marking the fourth anniversary of the establishment of a branch of **The Dime Savings Bank of Brooklyn, N. Y.,** in Coney Island, the Bank will hold open-house and conduct behind-the-scenes demonstrations of modern banking systems next Saturday, June 12, it was announced by George C. Johnson, President.

The Coney Island Branch, with more than $22,425,000 in the accounts of 15,366 depositors, is at the southwest corner of Mermaid Avenue, and West 17th Street. Next Saturday, it will be open from 9 a.m. to 7 p.m., and preparations have been made for greeting 10,000 visitors, according to Edward L. Watson, Assistant Secretary of "The Dime" and Manager of the Coney Island Branch.

Each visitor will be given a long-stemmed rose, while every person opening a savings account or renting a safe deposit box will receive a ball-point pen or ladies' compact.

* * *

An Open House will be held at the Main Office of the **Lincoln Savings Bank, Brooklyn, N. Y.,** on June 12, celebrating the completion of an extensive banking floor modernization program. John W. Hooper, President of The Lincoln, announces that this program covers renovations to the main banking floor and the construction of a new mezzanine. The old type, high teller cages have been replaced with modern, low, friendly banking counters.

* * *

The First National Bank of Bound Brook, N. J. has increased its common capital stock from $400,000 to $500,000 by sale of new stock effective May 24.

* * *

City Bank and Trust Company of Reading, Pa. announced on June 2 the election of Edwin M. Fox, Secretary of the Bank, to the additional position of Assistant Trust Officer.

Mr. Fox will transfer his office in the near future to the Trust Department of the Bank at its 206 North Fifth Street Branch.

* * *

Four promotions were announced by **Chicago Title and Trust Company, Chicago, Ill.:**

John Waddell, Assistant Accounting Officer, was named Assistant Vice-President and Manager of the methods and research department in the Company's administrative division.

Harold C. Bull, Assistant Trust Officer, was advanced to Trust Officer in the trust division. Harold M. Finley and Ranald A. Finlayson were named Assistant Treasurers in the investment division. The appointments were announced by Paul W. Goodrich, President.

Mr. Waddell joined Chicago Title and Trust Company in 1931 and has held a number of posts in the administrative division. For the past three years, he has been working in the field of research and methods.

Mr. Bull has been associated with the Company's trust division since 1930.

Mr. Finley joined the staff in 1950 as a security analyst in the investment division.

Mr. Finlayson has held the position of security analyst with the company since 1948.

* * *

The Hackley Union National Bank of Muskegon, Mich. has recently completed a modernizing and remodeling program at their Muskegon Heights office. Local businessmen and shareholders previewed the quarters on June 3.

The formal opening was on June 5. At the formal opening there were orchids for the ladies; candy, balloons and comic books for the youngsters and somewhat unorthodox, a sample of the bank's merchandise.

* * *

The Board of Directors of **The Simmons National Bank of Pine Bluff, Pine Bluff, Ark.,** announced on May 17 the election of Mr. Lara Finley Hutt, Chairman of the Board; Mr. Charles A. Gordon, President; and Mr. Wayne A. Stone, Executive Vice-President.

* * *

By a stock dividend effective May 24 the **Mercantile National Bank of Miami Beach, Fla.** has increased its common capital stock from $1,000,000 to $1,500,000.

* * *

The office of Comptroller of the Currency issued a charter on May 25 to the **Industrial National Bank of Dallas, Dallas, Dallas County, Texas.** The Bank has a capital of $300,000 and a surplus of $200,000. George I. Fetzer is President and C. H. Wise is Cashier.

* * *

California Bank, Los Angeles, Calif. has absorbed **Torrance National Bank, Torrance, Calif.** effective May 24. A branch was established in the former location of Torrance National Bank.

* * *

Effective May 28 the **First National Bank of Turlock, Calif.** has increased its common capital stock from $75,000 to $300,000 by a stock dividend.

Equitable Securities Group Offers Southwestern Gas & El. Bds.

Equitable Securities Corp. headed a banking group which offered yesterday (June 9) a new issue of $10,000,000 first mortgage bonds, series F, 3¼% of Southwestern Gas & Electric Co., due May 1, 1984. The issue was awarded to the group at competitive sale on a bid of 101.057, for the indicated interest rate. The bonds were priced at 101.537, to yield 3.17% to maturity.

Proceeds of this financing will be used to prepay $7,500,000 in short-term bank loans representing temporary borrowings for construction purposes and the balance will be used to pay part of the company's construction program. Through Dec. 31, 1955 the company contemplates expenditures of $21,600,000 for new additions to generating, transmission and distribution facilities.

The bonds are redeemable at regular redemption prices beginning at 104.54 if called during the 12 months beginning May 1, 1954 and declining to par at maturity, and at debt retirement prices beginning May 1, 1956 at 101.48 and declining to par at maturity.

Southwestern Gas & Electric Co. supplies electric service in Arkansas, Louisiana and Texas. For 1953 the company had net income of $4,228,270 on total operating revenues of $22,469,263.

Associated in the offering are: Dick & Merle-Smith; Lee Higginson Corp.; R. W. Pressprich & Co., and Shields & Co.

Joins A. M. Kidder Co.

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Richard W. A. Davis is with A. M. Kidder & Co., 316 South County Road.

Standard Inv. Adds

(Special to The Financial Chronicle)

PASADENA, Calif.—Romon Z. Serbay has been added to the staff of Standard Investment Co. of California, 571 East Green Street.

With Eastland, Douglass

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Francis K. Bottomley has become affiliated with Eastland, Douglass & Co., Inc., 100 Bush Street.

Continued from first page

As We See It

means, to act as though material progress were an end in itself rather than a means to great and noble ends. This, I suggest, is the peril of our hard-headed, pragmatic attitude that has helped us so much to achieve our vast social and economic transformation, for if we ever succumb to materialism the meaning will go out of America.

"And ignorance begets fear — the most subversive force of all. If America ever loses confidence in herself, she will retain the confidence of no one, and she will lose her chance to be free, because the fearful are never free."

And at a somewhat later point in his address he has this to say:

"And now in our time in spite of our devotion to the ideas of religious and secular humanism, I wonder if we are in danger of falling into a spirit of materialism in which the aim of life is a never-ending increase of material comfort, and the result a moral and religious vacuum.

"Is this leading, as lack of faith always must, to a deep sense of insecurity and a deterioration of reason? And I wonder, too, if today mass manipulation is not a greater danger than economic exploitation; if we are not in greater danger of becoming robots than slaves."

The "curse of materialism" has always been a favorite theme of moralists, and not infrequently of politicians. We gladly leave the whole question of the role of religion and spirituality to others more competent to study and present it. We must, however, express our doubt as to whether materialism is at the bottom of our shortcomings of this day and time. We have no doubt at all, of course, that in the minds of a good many what are usually termed the material good things of life are uppermost. It may be that this is to be regretted. What we are certain of is that this emphasis upon the material things has always been prevalent—and we suspect as prevalent as it is today—with the great rank and file of the people. It is difficult for us to understand why it should be a particularly divisive force at the present time—certainly no more so than non-materialistic forces have been in past decades and centuries.

The Difference

What seems to us to make these times stand out in contrast to most of the other eras of our history is not worship of material things so much as a new idea as to how these material things are to be acquired by the individual. Time was when, by and large, the individual expected to have only those material comforts and pleasures which he provided for himself. To be sure, there were the fringes who were always on the alert for special favors or dispensations from government but mostly the emoluments of life were expected only from one's own initiative, ingenuity and energy. Struggles for special privilege assumed a relatively minor role in our national life.

How vastly all this has now changed! A quarter of a century ago or more agricultural elements which had been traditionally against special tariff privilege gave up the ghost and moved instead to ask additional privilege for themselves. The seekers after special protection via the tariff route were not slow to take advantage of the opportunity then offered. And the general attitude spread like wildfire.

Even before the New Deal came upon us subsidies were spreading, and the Republican leaders were outdoing themselves to find ways and means of providing ever more largesse to the farmer. When Franklin Roosevelt came along with the suggestion that the farmer should himself decide what the Federal Government should do for him, the proposal, as outlandish as it seemed and still seems to those steeped in the American tradition, was nonetheless but one more step along a road which had already been laid out by more than one preceding administration.

It was the New Deal which transformed the labor movement so-called from an effort to attain some sort of equality in bargaining between wage earners on the one hand and employers on the other into a determined effort to use political and governmental means to enrich the laboring population at the expense of other elements in the population. It is a fact, however, that the way had been prepared by so-called intellectual leaders for decades prior to the rise of Franklin Roosevelt. Only the virile leadership of Mr. Roosevelt was required to give the movement popular support, and to add one more powerful element in the population to the growing number which were actively demanding more from society than they were supplying or could obtain by their own efforts directly applied in the economic domain.

Social Security, Too

The story is about the same with what is now known as social security. In Europe the notion was spreading that somehow society owed to certain individuals, or perhaps to all individuals, something more than they actually earned for themselves. Minimum wages, pensions of various sorts, sundry free services, and much more of the same general order were notions that had come to be more or less accepted as a "right" by a great many long before even the term "social security" was coined. The idea mushroomed in popularity when Mr. Roosevelt adopted it. The policy of "soaking the rich"—which should read soaking the successful, for it is less the rich than the successful which feel the real burden—for the benefit of the unsuccessful in myriads of ways is another case in point.

Practical politics has now become more and more a struggle among these various elements for an ever increasing share of governmental handouts. This state of affairs, rather than a simple desire for more of the good things of life, seems to us to lie at the roots of our confusion and internal strife today.

Continued from page 5

Menace of Preference In Sale of Federal Power

gress which passed the Act, or the farmers for whom it was passed and who have to assume the liabilities for the advances made under the Act. The cross-loan idea was conceived by the planned-economy, welfare-state protagonists then in power in Washington.

The REA Act confers no preference upon any group of power users. The REA cooperatives can buy and sell power from and to anyone of their choosing without preference.

The Bonneville Project Act of 1937 is, of course, a New Deal enactment and goes all out for preferences within its local service area.

One of the greatest *non sequiturs* in all legislation relating to electric power is in the general preference clause of this Act. It reads:

"(a) In order to insure that the facilities for the generation of electric energy at the Bonneville project shall be operated for the benefit of the general public, and particularly of domestic and rural consumers, the administrator shall at all times, in disposing of electric energy generated at said project, give preference and priority to public bodies and cooperatives."

We can only conclude that Mr. Ickes turned his back on all statistics to ignore the consumer records of Washington Water Power Company and the other Pacific Coast investor-owned companies serving the areas involved. These companies were outstanding then, as now, in area coverage and rural and residential use of electric energy. Their sales promotion has been tops. Even the sales efforts to socialize the power business in the Pacific Northwest conducted by the late Dr. Carl D. Thompson, a former Vice-Presidential candidate on the Socialist ticket, and others on the BPA payroll were inferior to the results of those local companies in promoting "the benefit of the general public, and particularly of domestic and rural customers."

In the Fort Peck Project Act of 1938, the same language occurs as in the BPA Act. Those words, "for the benefit of the general public and particularly of domestic and rural consumers" had been found effective. To quote Wentworth Dillon:

"Man ever had, and ever will have leave,
To coin new words well suited to the age."

By the same token, the right combination of words are oft well suited to the age!

The effective work done by The Montana Power Company in spreading the use of electric service among domestic and rural consumers throughout the State is proof enough that the real motive back of the preference clause was to promote the well-laid plans for a public power system over-riding and duplicating the systems of the investor-owned taxpaying companies.

The Reclamation Act of 1939 discards all pretexts and enumerates the preferences for public ownership, co-ops, and REA's with no reference to tail-end private companies. By this time the public power advocates were in the saddle.

Before the enactment of the Flood Control Act of 1944, an attempt was made to restore some balance for the customers of the investor-owned companies, but the pressure of the Administration was too great, so the Act as passed provides flatly that "Preference in the sale of such power and energy shall be given to public bodies and cooperatives."

There was a gesture toward preventing wasteful duplication of transmission lines in language providing for the building of "only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at such projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately-owned companies." The Department of the Interior, however, paid little attention to this provision and spent large amounts of money building unauthorized lines to form a widespread nationalized power system until brought in check by an irate committee in the House which called the Secretary, the Commissioner of Reclamation and some of his field men to account. An adequate explanation was never made, but the building of unauthorized lines out of carry-over appropriations was stopped.

The whole socializing plan of the Department of the Interior was exposed in the notorious Ickes Memorandum of 1946, the first paragraph of which stated:

"(a) Active assistance, from the very beginning of the planning and authorization of a project, shall be given to the organization of public agencies and co-operatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to purchase the power."

And again in paragraph (f),

"(f) No contracts shall be made that operate to foreclose public agencies and co-operatives from obtaining power from the government project. Contracts with these organizations shall recognize their preferential character and assure them full opportunity to secure the benefits of Federal power. Contracts with privately-owned companies shall be limited in time and shall contain provisions for the cancellation or modification by the government as necessary to insure preference to public agencies and co-operatives."

This consistent moving from the sale of power for municipal purposes to the outright socialization of power on a national scale was an inherent purpose of the New-Fair Deal and was intended to put the Federal Government in an all-controlling position in the field of electric power and energy and thereby in control of the industrial development of the nation. Proof of this is apparent, not only in the preference for public power, but for the selection of favored industrial concerns. Bills were introduced repeatedly to carve the entire country into seven power authorities which would have supreme dictatorial authority over-riding all state regulatory commissions and putting in control men appointed by the President and holding office during his pleasure. Fortunately, not only for power users, but for the whole national economy, the Congress refused to permit this crowning move into dictatorship.

It was truly time for a change. A move back to freedom and toward impartiality under the American system of enterprise has been made.

To begin with, it has been made clear that the Federal Government does not have and never has had the responsibility of providing electric service to whatever extent needed by a given area or by particular classes of distributors and consumers.

On Jan. 21, 1954, the Solicitor of the Department of the Interior, when before the Senate Committee on the Judiciary, after reciting the pertinent parts of the many acts relating to Federal power projects, most of which I have already discussed, summed up the position of the Federal Government as a power supplier as follows:

". . . There is, of course, a grave constitutional question involved in the unlimited extension of the Federal Government in the power business. . . . It is true that subsequent to that time (Supreme Court decision in the Ashwander Case) the Congress has authorized, under limited circumstances, some construction of electric works as such, particularly in the Tennessee Valley, but certainly, the Congress has never passed any legislation authorizing the Interior Department to engage generally in the electric business, and, therefore, the repeated statements of the witnesses that the Department's power policy was defective because it 'denied utility responsibility' or 'abandons the old policy of taking care of the growing needs of the rural systems' or that it 'tells co-operatives to look elsewhere for growing needs' are very fallacious statements from the standpoint of the legal powers of the Department. It has never been authorized so to do. No money has been appropriated to enable it so to do, and it is not appropriate that criticism should be made of the Department on the ground that it has not

fulfilled obligations which it is not authorized to perform."

Every time a move is made to keep the functions of the Federal Government in their prescribed field, or to equalize the benefits among all citizens and taxpayers, the few, but well organized, special beneficiaries become vocal and by means of carefully planned demonstrations have thus far been right successful in maintaining their privileged position. When the Power Policy was enunciated by the Secretary of the Interior in August of last year, it was met with screams of dismay of which the following are typical:

Mr. Clyde T. Ellis, Executive Manager of the National Rural Electric Co-Operative Association, said,

"It seems apparent that the heretofore dynamic Federal program of developing the country's rich hydro-electric resources and selling power in such a way that the people get the benefits is going down the drain, one license and one contract at a time." (Electrical World 9-21-53.)

Again, "Interior's new power policy means 'less power for the people, higher prices and further encroachment of the already overwhelming power company monopoly—a body blow to the farmers' electric co-ops and power districts in particular and to the economy of our country in general!" (Statement before Senate Subcommittee on the Judiciary, March 2, 1954.)

And again, "I therefore, submit that Interior's new policy and marketing criteria — are strong evidences that the Federal wholesale power program of the United States — is now to be starved, stunted, dismembered and discredited." (Statement before Senate Subcommittee on the Judiciary, March 2, 1954.)

There is no basis or proof offered for these conclusions of the witness, but they registered just the same.

Another familiar voice in the ranks of those advocating socialized power is that of Mr. Leland Olds, who stated in the "New Republic" magazine, Sept. 14, 1953:

"So the nation's water power is to be turned back to the private power companies traveling under the alias of 'local interests'."

"The Eisenhower policy represents a complete reversal of this approach.

(The 1946 Ickes directive.) Existing municipal electric systems, PUD's and REA must either depend on higher cost power supply from competing private systems or build their own small uneconomical local generating stations to meet their expanding needs. Newly-organized public or cooperative systems will apparently be deprived of Federal power supply altogether."

Again by Mr. Alex Radin, General Manager, American Public Power Association,

"If there were no preference clause, and if Federal power were sold at the dam site to those who could come and get it, we would find that practically all of this power would be going to the private power companies, with very little to the public agencies." (Senate Subcommittee Hearing, March 4, 1954.)

Again there is no proof or facts advanced to support the conclusion of the witnesses. The list of these cries of distress at being moved away from the Federal power sources or at least being required to share their place with the other 80% of electric consumers now being shouldered aside, could be extended almost indefinitely, but nothing would be proven except the human characteristic—shared with some other animals—of squealing when pulled away from special privilege, than by use of unfounded statements and conclusions attempt adversely to influence public opinion and thereby the cause of justice in the halls of Congress.

At other times really smooth procedure takes the place of propaganda. In the May 3, 1954, "Electrical World" there appeared an article entitled "Preference Issue Debated," which refers to the bills introduced into the House and Senate to provide for marketing power from Falcon Dam on the Rio Grande River. Brief hearings were held with no opposition. Then came the whizzer and I quote:

"After these hearings were closed, Clyde T. Ellis, Executive Manager of the National Rural Electric Cooperative Association submitted a statement which went into the record without comment or opposition testimony. Ellis asked:

"First that if an amendment be adopted to the bill it should provide that if any power is sold from this project to non-preference customers, that it be sold by the marketing agency upon the condition that the preference customers shall have the right to such power upon showing a need for the power in the future and that this right shall be protected by the so-called 'recapture or withdrawal clauses' in any such sales contracts:

"It was in the Senate that the Ellis suggestion was nearly adopted by the Senate Public Works subcommittee.

"Hearings lasting only 10 to 15 minutes were held on the bill. It was approved by the subcommittee and a tentative favorable report was prepared. The matter came to the full committee late last month.

"At that point, Sen. Wayne Morse (Ind.-Ore.) moved into action. As requested by Ellis, Morse asked to have the Ellis interpretation of the preference clause incorporated into the report which would accompany this bill to the Senate floor.

"The committee had already nodded approval when Sen. Francis Case (R.-S. D.) came into the room. He succeeded in holding up the report containing the Ellis language until Interior could make a study and comment on it.

"If the Ellis move had succeeded, and there is still a possibility that it can, it would seem to ban any firm contracts for the sale of Federal power to private utilities or industries. It would give public power groups and co-ops a first and continuing priority to purchase Federally produced power."

This would establish for the very much preferred customer a permanent title in all power from Federal projects with the further advantage of not having to pay for power reserved until it could be resold by the publicly-owned and co-op distributors. The readiness-to-serve charge during the waiting period would be paid by the taxpayer. Nice going for the public power boys but they never hesitate to ask or even demand those special privileges.

Considering the minority status of the favored few, it is amazing how preference in selling Federal power has taken root and grown. Perhaps one answer is found in the fact that the customers of the PUD's, municipalities and co-ops are political entities and can operate as such. The customers of the investor-owned companies are not and cannot be even loosely organized into political groups having equality in government power sales as their objective. In fact, the small part of the budget represented by the electric bill and the good quality of service relegates any problem about electricity to a place outside the field of interest of the average company consumer. Any corrective approach must, therefore, follow some other course which will be of interest to the customer as a citizen and taxpayer. Recent opinion surveys support this conclusion.

There are definite principals which can be vigorously advocated and whose fairness will be appealing.

Let me enumerate a few:

The deficit in the power bill not paid by the preference customer —or by TVA—is made up out of tax money paid in part by the people of your community. If they knew this and were given an approximate idea of how much it is, they would not like it.

No objection is made by the investor-owned companies to the form of organization of the power distributors, but they do not agree with the efforts of the professional advocates making "sacred cows" out of their clients, the PUD's, co-ops and other preference distributors.

The low price of government power due to tax freedom and inadequate cost allocations is the motivating force in the hands of the champions of preferences and the type of public ownership whose target is a socialized power system. The antidote to this is fair play in taxes.

On the positive side since all citizens stand equal under our government, fair play again calls for an allocation of available power from Federal projects without discrimination and at compensatory prices in proportion to the number of rural, residential and retail commercial customers served by each applicant. Rates charged by the distributors subject to state and local regulation will be fair and the cry of "unconciable profits" we know is "hogwash."

For the sake of all the taxpayers, not just those within the magic circle of preference clause, all power should be sold at market value or worth, all proceeds therefrom to be paid into the Federal Treasury. If revenues thus produced are insufficient, the project will require an outright tax subsidy which should be disclosed to the taxpayers who have to pick up the check. In fairness and justice to all consumers, the preference clause as presently interpreted should be eliminated from Federal statutes so that there will be equal opportunity under the low for American citizens everywhere in the nation to share in the benefits which may come from projects for which these citizens have to pay. This should be accomplished without discrimination as to availability, price and contractural provisions.

To sum it all up, it is not our purpose to work hardship on any group of electric service customers, nor to suggest how they constitute themselves either as voluntary investor-owned companies or in some other form; what we do ask is that all customers in this U. S. A. receive equal treatment under the law. The rights of citizens and taxpayers should not be adjudged to be deficient because they elect to do business under the free enterprise system instead of by use of tax favored or government subsidized organizational mechanisms.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of David M. Minton, Jr. to Gaines Gwathmey, Jr. will be considered by the Exchange on June 17.

James E. Davis retired from partnership in Paine, Webber, Jackson & Curtis, June 2.

W. Ross Campbell Firm

LOS ANGELES, Calif.—The W. Ross Campbell Business Investment Co. is engaging in a securities business from offices at 712 South Spring Street. Officers are H. Morgan Craft, President; C. C. Glass and Robert L. McCourt, Jr., Vice-President, and John R. Glass, Secretary-Treasurer.

Midwest Stock Exch. Thorson Chairman

CHICAGO, Ill.—Reuben Thorson, resident managing partner of Paine, Webber, Jackson & Curtis, Chicago, was re-elected as Chairman of the Board of the Midwest Stock Exchange, at the annual election of the Exchange.

Bert H. Horning, of Stifel, Nicolaus & Co., Inc., St. Louis, was elected Vice-Chairman of the Board, succeeding Lloyd O. Birchard of Prescott & Co., Cleveland.

Other members of the Board elected were:

From Chicago: Walter J. Buhler, Floor Member; William E. Ferguson, Thomson & McKinnon; August I. Jablonski, Floor Member; Thomas S. Koehler, Floor Member; Robert A. Podesta, Cruttenden & Co.; Myron F. Ratcliffe, Bache & Co.

From Cleveland: W. Yost Fulton, Fulton, Reid & Co.

From Detroit: William C. Roney, Wm. C. Roney & Co.

From Kansas City: Frederic P. Barnes, H. O. Peet & Co.

From Milwaukee: G. Edward Slezak, Loewi & Co.

From Minneapolis: Edward J. McKendrick, Johnson-McKendrick Co.

From St. Louis: Arthur A. Christophel, Reinholdt & Gardner, Detroit; Kansas City and Milwaukee are new cities represented on the Board.

The following were elected members of the 1955 Nominating Committee:

From Chicago: John R. Burdick, Floor Member, Chairman; Emmet G. Barker, Francis I. du Pont & Co.; George E. Hachtmann, Floor Member; William M. Martin, Floor Member; Sampson Rogers, Jr., McMaster Hutchinson & Co.

From Cleveland: Leslie J. Fahey, Fahey, Clark & Co.

From Minneapolis: Rollin G. Andrews, J. M. Dain & Co.

From St. Louis: Walter W. Ainsworth, Metropolitan St. Louis Co.

With Stewart, Eubanks Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Albert B. Howe has become associated with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. He was previously with Blyth & Co., Inc.

James F. McMahon Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James F. McMahon is engaging in the securities business from his own offices at 53 State Street. A member of the Boston Stock Exchange, he was formerly a partner in Louis P. Mott & Co.

M. Joseph Conroy Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—M. Joseph Conroy is engaging in a securities business from offices at 653 State Street. Mr. Conroy, a member of the Boston Stock Exchange, was formerly a partner in Louis P. Mott & Co.

Continued from page 4

Government's Role in Providing Economic Security

fostered the incentive and ability of those seeking opportunity to create their own betterment, and also protected the individual who was seeking his own security through productivity and savings. These principles did not mean, however, that there should be any lack of interest, sympathy and help for those who suffered from hardship and want. Indeed, the noblest motives of mankind have always embraced the purpose of preventing or relieving destitution. And our great spiritual leaders have always associated providing for the afflicted and homeless with high moral purpose and aspiration.

As a means of guarding against hardship, voluntary insurance has provided a great service in the interest of the public. It avoids the compulsion of governmental measures, it gives the individual free choice to suit his security to his individual needs and desires, it relies in large measure on savings rather than current taxation for current benefit expenditure, and it avoids forcing one man to provide another man's security. Thus it avoids the temptation to repeated liberalizations which can be made in public measures and which, as I brought out, can ultimately destroy everyone's security. From another point of view it can be seen as serving both the individual who seeks opportunity and the individual who seeks security.

Despite the advantages of voluntary insurance over government-provided compulsory social security, it is understandable why the provision of old-age benefits was enacted by the Congress in 1935. The great depression of the 1930's showed us that industrialization and urbanization had made it increasingly difficult for many wage earners to count enough on their savings, or to draw enough help from other sources, to keep them from want in old age. Despite the dangers involved, it was generally felt that the time had come to deposit the problem on the Federal doorstep. The idea of a Federal system, systematically providing old-age benefits sufficient for minimum support, and maintained by special taxes paid by active workers and their employers, had great popular appeal and met with widespread approval.

Danger Ahead

Now that the plan is in operation—and it is clearly here to stay—it is incumbent upon all of us to understand what is involved. The first question that should be asked is, how far should this system go in providing benefits? For how much of a man's security should government take responsibility? Unless there is a sound answer to this question—one we can firmly adhere to—social security is almost certain to be pushed too far.

The most cogent answer I have seen comes from the pen of Lord Beveridge, when he wrote:

". . . to give by compulsory insurance more than is needed for subsistence is an unnecessary interference with individual responsibilities. More can be given only by taking more in contributions or taxation. That means departing from the principle of a national minimum above which citizens shall spend their money freely and adopting instead the principle of regulating the lives of individuals by law."

We may well take those words to heart.

A few other points should be brought out in connection with this question. We cannot consider such old-age benefits by themselves. They are part and parcel of our whole economy and changes in one will affect the other. It is obvious that if our economy leads to inflation which depreciates the dollar, then the same dollar payments for old-age benefits will be ineffective in furnishing subsistance. If, on the other hand, old-age benefits are pushed too high, they can themselves be the cause of a higher price level. Lord Beveridge has emphasized, and I would also emphasize, that the effectiveness of any security benefits depends upon stable money. We cannot distribute to the aged, for example, the financial means of purchasing goods beyond what the production of industry will provide. If we should attempt to do so, inflated prices caused by excess demand for goods would rob the cash benefits of much of their value. If we consider the nonemployed population as a whole, it is fundamental to the prevention of hardship that inflation be avoided and that production be efficient and in large volume. Any measures that seriously lower productive efficiency, or reduce the volume of production, are thus the very negation of welfare measures.

One of the great dangers in dealing with the level of benefits is that it is politically attractive to increase the formula for benefits and to emphasize the expectation of greater benefits in the future rather than to stress the greater taxes that will be necessary in the future to pay for them. This is the easier to do because the rise in the tax rate is considerably deferred due to the full weight of increased benefits being deferred. But in the end the government has no benefits to give except from the taxes which it takes. The tax rate at present has risen to 4%—2% from the employer and 2% from the increase in benefit level can readily rise eventually to be about 8% or even possibly 10%. Necessarily, the top figure is uncertain since the result depends on many uncertainties. These uncertainties embrace employment conditions, wage levels, changes in longevity, changes in the proportion of the population at elderly ages, the incentives to the elderly to retire, and so on. As taxes go up, as they will with no further increase in general benefit levels, will industry recoup by raising prices, will worker press for higher wages to maintain take-home pay? If they do, can we obtain such an increase in individual production as to maintain existing price levels? These are pertinent questions and grave questions. The fact that they exist should caution us to adhere closely to Lord Beveridge's injunction, which I quoted, that benefits should be confined to a subsistence level, and not attempt to include provision which can and should be made by private pension plans, individual savings and by relief measures for special cases of need which are more properly administered locally by municipalities and states.

Misconceptions About OASI

A dangerous thing about social security in the United States, I think, is that the American people have not yet come to fully realize that "More can be given," as Lord Beveridge said, "only by taking more." The nation simply does not get something for nothing in social security.

Another fundamental misunderstanding among many of our people has been that social security taxes are a form of saving being stored up for the future and guaranteeing their future benefits. In 1936, when the plan was initiated, President Roosevelt said in a campaign speech:

"Here the employer contributes one dollar of premium for every dollar of premium contributed by the worker; but both dollars are held by the government solely for the benefit of the worker in his old age. In effect we have set up a savings account for the old age of the worker."

This same misconception has been repeated again and again ever since. No wonder, therefore, that when, say, an older beneficiary, having paid $150 in taxes, together with $150 from his employer, receives an old age benefit worth $15,000 he says "Social security is a wonderful bargain." People do not stop to think that the remaining $14,700 must come, in one way or another, from their fellow citizens in taxes. On the contrary, they are apt to say, "Let's have more of this cheap insurance."

And that brings me to the point that such use of the word "insurance" is very objectionable to those in the insurance business. The words "social insurance" slip easily from the tongues of many people, but the word "insurance" suggests an individual equity relationship which simply does not exist in OASI. Neither is OASI based on commonly accepted insurance principles.

Moreover the incorrect impression that OASI taxes are insurance premiums or savings has doubtless misled many into thinking that the government has sufficient money stored up to meet the benefits becoming payable in the future from wage credits already acquired. The uninitiated, when told that the OASI Trust Fund holds some $19 billion in government bonds, may have such a belief strengthened. Little do they realize that some $200 billion would be needed at the present time to cover the system's accrued liabilities.

Essentially the OASI system is operating as a pay-as-you-go plan with a moderate contingency fund available to act as a buffer to cover any temporary excess of benefit payments over tax receipts—an excess such as might occur in a business recession. To put it another way, OASI is a system under which the active workers and their employers are contributing the taxes necessary to pay benefits to their fellow citizens on the benefit rolls. The active workers now covered under the system must look for their old-age benefits, not in any large measure to the Trust Fund, but mainly to the willingness of the next generation of active workers to pay the taxes out of which the retirement benefits will come.

It is important that these facts and these relationships be understood for otherwise we cannot treat intelligently the recurring proposals to amend the OASI legislation and avoid the tendency toward over-expansion inherent in any government security scheme.

Desirable Proposals in H.R. 7199

With these thoughts in mind, let us review—as illustrations—some of the proposals for amending OASI, now pending before Congress in the bill, H.R. 7199. I will begin with the proposals which I believe merit support.

First is the proposal to extend OASI coverage to some 10 million jobs not now covered. This proposal is reasonable and desirable if the social purposes of the plan are admitted at all. Injustices develop if a part of the nation's working force is under the system and a part excluded. Similarly, the efficiency of OASI is impaired if large numbers of persons are continually moving into and out of the system as they change from job to job.

Another proposal in the bill that seems reasonable, and in fact beneficial, is the idea of dropping out of the "average monthly wage" calculation (and hence from the computation of the individual's benefits) the four years of lowest earnings or of no earnings. Many OASI beneficiaries have had their benefits sharply reduced because of limited periods when they were unable to work in regular, full-time employment. This so-called "drop-out" proposal will largely prevent inadequate benefits in the future by reason of such periods.

Still further reasonable changes are proposed in the provisions governing the OASI retirement test—the so-called "work clause." While some work clause is absolutely necessary, if social security funds are not to be dissipated in providing needless benefits to persons in regular employment, the work clause should not operate to interfere with casual employment or to induce people to withdraw from the labor market. The "work clause" provisions in the bill might be improved somewhat with the objective of making it to the individual's advantage to continue to be productive and to increase his income as much as he can after age 65.

All these changes I have been discussing would make OASI more useful as a means of furnishing a floor of protection for all, but none of them would operate to push maximum benefits beyond the range of what is needed to furnish basic security.

Unsound Proposals in H.R. 7199

The chief unsound proposals in H.R. 7199 are those which would increase maximum benefits out of the subsistence or floor-of-protection range. I am thinking here of the proposal to again liberalize the OASI benefit formula, particularly as it applies to those at the higher wage levels. And I am also thinking of the proposal to take account, for benefit and tax purposes, of earnings up to $4,200 a year instead of $3,600 a year.

Past liberalizations have been sufficient to increase benefits actually beyond what has been the proportionate increase in consumers' prices. The system now provides more adequate benefits than it ever did before. However, up to this time there has been no clear break with the floor-of-protection or subsistence principle.

In contrast, the new proposals would go clearly beyond the basic principle we must cling to, and clearly invade the area in which private savings, insurance, and pension plans should operate. Such a shift would have far-reaching effects. With no principle remaining to adhere to, very serious dangers would lie ahead.

Another undesirable proposal in the pending bill would leave out of account. in determining benefit eligibility and the benefit amount, any periods in excess of six months in which the government adjudicates the individual to have been totally disabled. To start on the medical examinations and certifications necessary under this proposal is to open Pandora's box. Coming out of the box would be all sorts of complaints and pressures against adverse determinations. If there is one thing which insurance companies know, it is that determining disability is no simple problem of objective physical measurement. There is a subjective side as well. In times when good jobs are plentiful, rates of disablement are very low, but when jobs are scarce disablement rates rise sharply. I mean no indictment of our people. It is simply common sense to recognize the fact that people mostly act in their own interest where there is a legal right to do so

All the proposed new sections of the law relating to disability seem quite unnecessary in view of the proposed "drop out" provision for periods of no earnings, and I trust Congress will be content to let that proposal suffice to care for periods of no earnings, whatever the particular cause for the lack of earnings. Substantial justice will thereby be done. And the administration of OASI will be freed from vexatious turmoil and substantial additional expense.

Conclusion

In conclusion, let me sum up my remarks in four short points:

(1) We have been moving into an age of renewed emphasis on security-seeking through governmental means—a trend which, if carried to extremes, can be highly dangerous to our whole economy.

(2) Most of the dangers of excessive security-seeking can be avoided if the role of government as the security-provider is minimized, and if voluntary savings and insurance are relied on as much as possible as the means to security.

(3) For these and other reasons, social security benefits should be maintained at a modest floor-of-protection level.

(4) The pending social security proposals which would operate to strengthen OASI as a floor-of-protection system merit support; but the proposals which would break away from the floor-of-protection principle are highly dangerous indeed.

Finally, let me say I have great confidence in the good sense of the American people. Once the people grasp the basic issues posed by social security, I feel sure wise decisions will be made. We are a generous people; we will not put the aged, widows, and dependent children on starvation rations. But also, we have enough good sense so that we will not cut down the living standards of self-supporting people in order that excessive, unneeded, or incentive-destroying benefits may go to dependent elements in the population.

The spirit of looking for opportunity—of seeking to better one's self—is still quite alive in America. And I believe the American people still place a high value on the right to spend their own money as they choose.

Railroad Securities

Gulf, Mobile & Ohio

One of the lower priced equities that has been attracting considerably more attention at advancing prices recently is the common stock of Gulf, Mobile & Ohio. Last week it sold into new high ground for the year but still appreciably below the 1953 top. Apparently many analysts have been impressed with the recent improvement in the traffic trend. Throughout the period of general economic readjustment it is understood that car loadings along the southern lines of the system have been well maintained but business north and west of St. Louis was off sharply. This was particularly true of the Chicago area, attributable in large measure to the sharp reduction in the rate of steel mill operations.

The rate of decline in car loadings accelerated month by month during the opening months of the year, reaching a peak of 16.2% for the month of April. Since then the year to year comparisons have been improving steadily and by the week ended May 22, the latest period for which statistics are available, traffic was only 1.5% below the level of the like 1953 period. While it is still too early to draw definite conclusions from these most recent figures, there is considerable feeling that the worst has been seen and that from here in both revenue and earnings comparisons will make much more cheerful reading than those of the first four months.

Fundamentally Gulf, Mobile & Ohio has long been considered to be in a strong traffic position. Over a period of years the property, which was originally a purely local carrier largely dependent on agriculture and the lumber industry, has been expanded by the judicious acquisition of other railroads when they were in financial difficulties. Now it is a complete through system running from Chicago to the Gulf of Mexico and with lines to Kansas City and Birmingham. It has participated completely in the benefits from the industrial growth of the south and as this is still going on it is expected that the road will continue to open up important new traffic sources. One of these that is just getting under way, and which should expand rapidly during the balance of this year, is the movement of import iron ore through Mobile to Birmingham.

Aside from the traffic considerations, another element of strength in this situation is the high degree of operating efficiency that has been attained through complete dieselization and through capital improvements to roadway properties. With respect to transportation costs the record of Gulf, Mobile & Ohio is one of the most impressive in the country. It entered that select group of rail carriers with transportation ratios below 30% in 1951 and with further improvement since then arrived at a figure of 28.6% last year. Among the major carriers only St. Louis-Southwestern, Western Pacific and one or two of the coal carriers were able to better this showing.

While maintenance outlays have been high, in line with the company's program of improving the property and equipment, the road last year was able to report earnings of somewhat better than $7.00 a share. As mentioned above, traffic was off sharply during the first four months of the year, and maintenance expenditures were kept to a relatively high level. As a result, net income was off nearly 40% and common share earnings dipped to $1.65 compared with $2.96 a year ago. With indications that future comparisons will be more favorable it seems likely that 1954 results as a whole will at least be held to $5.00 and may be higher. This would afford more than adequate protection of the regular $2.00 dividend and, in the opinion of many analysts, might well justify repetition of last year's $0.50 year-end extra.

$38,500,000 Kentucky Turnpike Bonds Marketed

Nationwide investment banking group headed by Blyth & Co., Inc., reoffering new issue of 3.40% revenue obligations at price of par.

A nationwide investment banking group comprising more than 50 members and headed by Blyth & Co., Inc. was awarded on June 8, in competitive bidding, $38,500,000 Commonwealth of Kentucky Turnpike revenue bonds, series 1954. The group's winning bid was 98.35% for bonds bearing a 3.40% interest rate, representing a net interest cost of approximately 3.4765%. The bonds, due July 1, 1994 are being publicly reoffered by the group at 100% and accrued interest.

The bonds were issued to finance the construction of the "Initial Turnpike," a portion of the projected Kentucky turnpike. It will be approximately 40 miles in length, extending from Elizabethtown to Louisville.

Payment of principal and interest on the bonds will be a prior lien on the gross revenues of the Turnpike, coming ahead of maintenance and operating costs. Projected earnings, according to engineers' estimates, indicate an exceptionally good coverage for the bonds.

This estimate of coverage is on the basis of the Turnpike's connection with existing highways. Any improvements made to feeder roads or connecting highways or the ultimate completion of proposed turnpikes with the north or south terminals of the Kentucky Turnpike have not been considered in the projection of revenues.

The bonds have a sinking fund provision, effective July 1, 1958. Sinking fund redemption prices scale from 103% to the principal amount. They are otherwise redeemable after June 30, 1960 at prices ranging from 104 to par.

Principal members of the underwriting group include:

Equitable Securities Corporation; The First Boston Corporation; Goldman, Sachs & Co.; Harriman Ripley & Co., Incorporated; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Phelps, Fenn & Co.; R. W. Pressprich & Co.; Shields & Company; Smith, Barney & Co.; B. J. Van Ingen & Co., Inc.; White, Weld & Co.

The Bankers Bond Co., Inc.; Alex. Brown & Sons; J. J. B. Hilliard & Son; John Nuveen & Co.; Paine, Webber, Jackson & Curtis; Almstedt Brothers; W. E. Hutton & Co.; Bacon, Stevenson & Co.; R. S. Dickson & Co., Inc.; Estabrook & Co.; First of Michigan Corporation, and Stein Bros. & Boyce.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A highly professional government market, and a money market, with more than a normal amount of indigestion, appears to be carving out resistance levels from where there could be favorable developments in the not-too-distant future. Prices of the middle and longer-term issues are being moved about very readily, which ordinarily means a very thin market without too much activity.

However, in this instance, there has been a fair amount of activity resulting largely from switching operations. There has also been some rather sizable trades reported, aside from the swops, even though this has brought about slightly lower quotations than had been prevailing. Lengthening of maturities is going on in a rather important way despite the big play which is being given to the short-term securities.

The demand for liquid government issues is as sizable as ever, and for the moment there appears to be no let-up in this pressure. Interest rates are still on the easy side, and with some minor help from the monetary authorities, the indigestion in the money market could be relieved.

Maturity Lengthening Underway

Despite the strong demand for the near-term government issues, there is a not unimportant amount of maturity lengthening being done by the commercial banks. According to reports, these institutions have been making commitments in both the intermediates and the longer-term Treasuries. Although the 1⅞% due 2/15/59 appears to be the leading issue in these purchases, it is indicated that the 2½s due 12/15/58 have also come in for a fair amount of buying.

In adidtion, the 2¼s of 1959/62 seem to have appeal for certain of the deposit banks, with indications that most of these purchases have been made by those institutions which have rather sizable savings deposits. Other banks, according to advices, have been picking away at the eligible 2½s with the bulk of this buying being done in the September 1967/72 maturity. There has been however, scattered purchases in the 2½s that mature from 1962/67 through 1965/70.

It is also reported that certain fire and casualty companies, which have been a bit heavy on the liquid side, have shown a tendency to stretch out maturities. Yields on certain of the more distant governments appear to be approaching levels where these concerns seem to be willing to let out the near-term obligations in order to get a larger return in the longer-term issues. Certificates and notes have been disposed of in many instances so that the 2½s which are available under the 100 level may be taken on.

Savings Banks Mostly Inactive

Savings banks, although in a switching mood, have not, according to reports, been too much on the sell side of the market even though there have been instances in which these institutions have disposed of fairly sizable amounts of the longer-term obligations. Corporate bonds, preferred stocks, and common stocks along with mortgages seem to be taking the bulk of the funds that are available for investment with the larger banks in this classification. It is indicated, however, that certain of the out-of-town savings banks have made some minor commitments in the Vic's, with part of this being new money and the balance coming from switches out of short-term government obligations.

Pension Funds Bolster Long Bonds

Pension funds appear to be doing a small amount of switching also, with both the private and public ones showing inclinations to move out of the 3¼s of 1978/83 into the longer-term 2½s. It is evident that these funds have given a fair amount of stability to the more distant maturities because they have shown the willingness to take on certain of the 2½% bonds which have come into the market for sale. Also, it is indicated that the prices at which these bonds have been obtained have been considered to be favorable, since there has not been very much in the way of supporting bids around for these issues.

Life Companies Sell on Balance

Life insurance companies, according to advices, continue to be sellers on balance as far as government securities are concerned. Short-term issues have in most instances, when money is needed, been allowed to mature. On the other hand, there have been some sales of the longer maturities but these disposals have not yet been of important size. It is evident that the life insurance companies still have enough private deals and corporate issues available to them so that they will not be interested in the buy side of the government market for some time yet.

Lower Reserves Still Awaited

Federal Reserve policy continues to be one of the most important topics of conversation in the money markets. Even though there has been a certain amount of cooling off as far as changes in reserve requirements of the commercial banks are concerned, the financial district is still as strong as ever in its belief that there will be a lowering of these requirements in the not-too-distant future. The new fiscal year is not very far away and with it will come the need for borrowing by the Treasury. This will give the answer as to what will happen to reserve requirements.

Continued from page 2

The Security I Like Best

of the company is strong, with the ratio of current assets to current liabilities as of Dec. 31, 1953 being 3.6 to 1. Cash amounted to $5,923,960 and book value was $69.31 per share compared with $29.50 in 1943, ten years ago, reflecting a constant growth in equity. Long-term debt at the end of 1953 amounted to $2,875,000. There were 106,234 shares of $3 cumulative participating preferred stock outstanding which is callable at $110 and 264,504 shares of $10 par common stock. Dividends for the year 1953 were $4 per share on the participating preferred and on the common $1 per share, the participating preferred sharing equally with the common in any dividends declared.

At present market prices (27½) the common stock sells about 3.7 *times earnings.* General demand for bananas is good, and except for seasonal fluctuations, is expected to increase, particularly as a result of new sales policy. Medical prescription of bananas in diets for coeliac children has made daily use of bananas commonplace in many homes. Additional interesting and varied ways to serve bananas, highlighted by menu planners in women's magazines and newspapers, increase consumption and point to a new demand for an age-old fruit.

Standard Fruit & Steamship Co. common stock is listed on the New Orleans Stock Exchange and also traded in the Over-the-Counter market.

F. Bleibtreu Firm 20th Anniversary

F. Bleibtreu & Co., Inc., 79 Wall Street, New York City, foreign exchange specialists, celebrated their 20th anniversary June 9. For its first seven years the corporation acted as special representatives in New York of Banque de l'Union Parisienne, one of the leading French banks. In recent years its activity has been primarily concentrated on conversion problems resulting from the financial upheaval following World War II.

Continued from page 17

We Can Develop Peacetime Atomic Power

are familiar to all who read about atomic energy. Zirconium, bismuth, hafnium, and boron are emerging in our atomic energy vocabularies.

What these new nuclear requirements will do to the economics of many chemical elements may be interesting to speculate on. Up to now most of the elements with significant nuclear properties have been chemical curiosities in our scientific museums, and not articles of commerce.

"Clues" on how this baby industry will be different from its contemporaries can be found in the unique properties of these neutron-source materials.

First, the atoms which package these neutrons provide a concentration of energy on a scale that is difficult to comprehend. We speak of one pound of uranium being worth roughly three million pounds of coal. This is true because the neutron unlocks the inside of the atom and produces enormous amounts of energy that are not available from the burning of carbon.

The chemists and physicists have a sound scientific explanation for this great energy difference. In their world of electron volts, chemical transformations measure only a few electron volts. The splitting of an atom registers millions of electron volts of energy. The layman may not comprehend this tremendous increase, but the scientists have already learned how to put it to work and to use it in our nuclear technology.

Second, new and complex industrial problems are created by the very existence of these neutrons. New kinds of health hazards must be guarded against, but we are making steady progress with this problem of radiation.

There is nothing unusual in the development of a new material which has health-hazard properties. Chemical manufacturers have long been familiar with such problems. In the early development of tetraethyl lead for improving gasoline there was great concern about its inherent dangers. One leading scientist at a great Eastern university predicted "wholesale death" on 5th Avenue in New York if leaded gasoline were used. Similar predictions have a familiar echo in the recent stories of radiation danger from our hydrogen-bomb tests in the Pacific.

The cost of a pound of neutrons is something to conjure with. We cannot put them into a package and ship them in the same way that we do a barrel of oil. Yet these neutrons are the cornerstones of the hydrogen age.

There are many major industries that are important to us in every-day life where we do not package the basic commodity. In our communication fields we now depend largely on radio waves. No one has yet been able to find a way of packaging this commodity. In the world of today we live with many gadgets which function through means we neither feel nor see.

It takes imagination to talk about neutron factories and electromagnetic wave factories. Of course, neither neutrons nor electromagnetic waves have any permanent existence in terms of time as we understand it. They are, however, very real in terms of scientific time. In future time, neutrons will appear in our industrial cost accounting just like their predecessors in the energy field.

What is this atomic industry worth today? Let's take a look at some of its component parts. First, the physical plants today are valued at approximately five billion dollars. In addition, there are some six billion dollars invested in inventory and experience. This totals about 11 billion dollars of taxpayers' money that has gone into atomic energy.

The total assets of the United States Steel Corp. are something less than three billion dollars. The total assets of the DuPont Co. are roughly two-and-a-half billion dollars. The atom is already in the supermarket stage before it has opened its doors to private customers.

When we turn to the raw-material situation on which this new industry is based, we are equally impressed. The estimated reserves of unanium ore are approximately 25 times the total heat value reserves of coal. In comparison with oil and natural gas, they are roughly 100 times this amount. We know that increasing amounts of these materials are available to us in the North and South American Continent.

IV

The total capital investment in laboratory facilities is not far from $300 million. There are almost 15,000 trained American citizens who work in these laboratories. The total operating costs per year are approximately $250 million. This does not include the facilities for the development of atomic weapons.

When we compare these atomic laboratories with the facilities of private industry it is surprising to find that this total represents a greater effort than the combined industrial research efforts of the first four or five of the largest corporations in America.

When we think of the great diversification of interests of our private industrial corporations, and then compare the effort being directed solely toward the peaceful atom and its use, we get a practical idea of the enormous amount of money and effort which the Government has already spent in connection with the development of the peacetime atom. It is impressive to realize that these facilities and trained personnel are a "going concern"—adding to our store of knowledge, even while we meet here today.

Included in this research and development are the activities directed specifically toward the development of nuclear power. During the last five years some $250 million of taxpayers' money has been expended in this field alone.

None of the above includes the weapons stockpile and its impressive relation to national strength. For security reasons this is included in the $6 billion investment in inventory and experience.

V

The future of this new industry is bound up with political, military and economic problems of international importance.

There are people who say today that the hydrogen bombs have eliminated major wars as instruments of national policy. Military people recognize that tactical atomic weapons have far-reaching effects on the composition of future military forces. In the long run, this military trend will affect every home in the United States.

Adequate legislation is needed to promote the American climate of competition as the best way of increasing the value of the industry and bringing the most benefits to the largest number of people. As you know, this matter is now before the Congress.

In addition, there is a growing feeling that the peaceful atom holds the key to world survival. At a recent dedication of a new industrial laboratory in the Middle West, I proposed an immediate all-out national effort for the production of peacetime power. I based this proposal on the five-year reactor program of the Atomic Energy Commission; pointing out that an inspired peacetime effort, adequately supported, could compress the work of 10 years into five. If it was important to build an atomic bomb in three years, when the ordinary course of effort could easily have required 25 years time, is it not more important to build our peacetime power future in the shortest possible time?

If we could only organize this all-out national effort for the peaceful atom, we could save five years time. In the hydrogen age this saving of time may well save the nation.

I did not advocate a "crash" program which would waste the taxpayers' money. I did emphasize that much more could be done and should be done on an all-out basis. We are no longer concerned with the "if" in peacetime power, but only the when, where, and how. At a time when all the peoples of the world are grasping for any straw that promises peace, where is a better cause than a peacetime atomic future?

VI

These facts stand out:

(1) Atomic weapons and peacetime nuclear power are not rivals. Both can and should be developed now.

(2) Our country already possesses a multi-billion dollar atomic inheritance in manufacturing facilities and trained personnel.

(3) The future power potential of this new industry is enormous.

(4) We must go forward. We must use the American pattern which has proven so successful in all our industry. Americans understand competition. We have never had any sympathy for monopoly — even Government monopoly!

(5) All-out atomic strength stems from one basic atomic activity — the production of these new neutron-source materials. As this industry grows and our basic industrial atomic capacity grows larger our reservoir of national strength for atomic weapons and peacetime nuclear power will both emerge from the same parent commodity.

The neutron source materials will take their place along with our other basic commodities. These old-fashioned commodities have made the United States the richest country in the world. Our world leadership in the difficult years ahead may well rest on these neutron-source materials.

It is of key importance that we understand the growth pattern of this new atomic industry. We can produce atomic weapons and civilian nuclear power at the same time if we determine that this must happen.

VII

I would like to leave with you my conviction that atomic weapons and peacetime nuclear power are partners in our struggle for survival. Atomic bombs and peaceful atoms are not rivals. We need them both. We need them now. We can have them both—if our American system of free enterprise can be organized and stimulated to carry out the job. This must be done.

In Investment Business

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Walker & Lee, Inc., 4100 Bellflower Boulevard, is engaging in a securities business. Officers are Robert K. Walker, President; Dewitt R. Lee, Vice-President; and Ruth P. Shepherd, Treasurer.

Continued from page 5

The State of Trade and Industry

of peace in steel this year will probably be in the neighborhood of 5c to 8c per hour.

The other horn of the steel consumers' dilemma is this. That there's always the chance that their steel supply lines might be cut by a strike if management doesn't budge enough, "The Iron Age" points out.

There is still some chance for an "out" for the steel consumer. That would be if steel management is able to convince the union that it shouldn't press its expensive demands too hard in a year when steel demand is weak. So far the union has given no sign that it will settle for a "token" wage package.

Domestic new car sales in May paralleled April's nine-month high, states "Ward's Automotive Reports," on Friday of last week. It added that the industry completed its 3,000,000th car or truck of 1954 in that week.

"Ward's" placed May sales at the 490,000-unit level against 510,000 during April.

The statistical agency added, however, that because of May's one less selling day, sales over the two months averaged to an almost identical 19,600 daily. The rate in March was 18,200.

This apparent leveling off in demand, according to "Ward's", has prompted speculation that peak monthly sales for 1954 has already been established. It added, however, that the factories remain optimistic regarding prospects for their third-best yearly output in 1954.

Domestic dealer sales, "Ward's" explained, represented 99% of the cars shipped to them in April, 97% in March and 94% in February. The May figure is estimated at 99%. As a result domestic dealer stocks of new cars have increased only 10% since the end of January.

The reporting service counted a 21% decline in United States production this week to 111,588 cars and trucks from 141,089 last week. It noted that while the decline was due to the Memorial holiday Monday, Dodge, DeSoto and Chrysler worked only three days, while Kaiser and Willys were completely idle and Pontiac showed an unexplained drop. Meantime, Ford again scheduled three plants for assembly last Saturday.

Steel Output Set at 2.8% Above Previous Week

Steel production continues its moderate uptrend, says "Steel," the weekly magazine of metalworking. In the past week "Steel's" national rate edged up to 71% of capacity, highest level since late February. That is an increase of 0.5 point over the preceding week.

While ingot output is still around 30 percentage points below this time a year ago, operations currently are on the upgrade, whereas a year ago they were beginning to decline to the lower levels prevailing for the last 12 months, states this trade journal.

The improvement in ingot output stems from continued completions of inventory reductions of steel and the generally stronger tone of business. Practically none of the strengthening comes from protective buying against a steelworkers' strike, it adds. The slightly improved demand for steel is not felt equally in all forms of steel or by all producers, it further points out.

Standing out sharply as a strong taker of steel this year is the construction industry. Demand for structural shapes is fairly strong. Fabricators of structurals note an increasing amount of new inquiry, which likely will be translated into demand for steel over the next few months, comments this trade magazine.

Warehouses, suppliers of steel to small users, are receiving a substantial number of orders, but they are small. One warehouseman commented that consumers' placement of orders in small but frequent lots has exhausted his supply of invoices three times this year. Already he has used as many invoices as he ordinarily uses in six months.

Warehousemen say the extra work involved in handling small orders and the keen competition they are encountering are cutting profits. Some of the small warehouses are reported to be in a tight financial squeeze, "Steel" notes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 73.0% of capacity for the week beginning June 7, 1954, equivalent to 1,740,000 tons of ingots and steel for castings, as against 1,674,000 tons and 70.2% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 70.9% and production 1,690,000 tons. A year ago the actual weekly production was placed at 2,208,000 tons or 97.9%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Reacts to Lower Level

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 5, 1954, was estimated at 8,246,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 187,000,000 kwh. below the preceding week, but an increase of 150,000,000 kwh., or 1.9% over the comparable 1953 week and 1,241,000,000 kwh. over the like week in 1952.

Car Loadings Rise 1.1% Above Week Ago

Loadings of revenue freight for the week ended May 29, 1954, increased 7,325 cars or 1.1% above the preceding week, according to the Association of American Railroads.

Loadings totaled 689,292 cars, a decrease of 97,463 cars or 12.4% below the corresponding 1953 week, and a decrease of 7,568 cars or 1.1% below the corresponding week in 1952, which was affected by the Memorial Day holiday.

U. S. Auto Output Drops 21% Under Previous Week

The automotive industry for the latest week, ended June 4, according to "Ward's Automotive Reports," assembled an estimated 95,003 cars, compared with 119,007 (revised) in the previous week. The past week's production total of cars and trucks

amounted to 111,588 units, declining 21% below last week's output of 141,089 units.

Last week, the agency reported there were 16,585 trucks made in this country, as against 22,082 (revised) in the previous week and 14,601 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 7,581 cars and 1,437 trucks last week, against 6,418 cars and 1,149 trucks in the preceding week and 7,954 cars and 2,867 trucks in the comparable 1953 week.

Business Failures Rise Slightly In Holiday Week

Commercial and industrial failures rose slightly in the holiday-shortened week ended June 3; there were 218 casualties, compared with 206 in the preceding week, reported Dun & Bradstreet, Inc. While casualties were about even with a year ago when 217 occurred, they exceeded considerably the toll of 120 for the comparable week of 1952. Compared with the prewar level, however, failures were down 12% from the 249 recorded in the similar week of 1939.

Casualties involving liabilities of $5,000 or more climbed to 193 from 168 last week and were slightly above their 1953 total of 181. In contrast, a decline appeared among small failures, those with liabilities under $5,000, which turned down to 25 from 38 a week ago and 36 in the corresponding week of last year. Sixteen of the failing concerns had liabilities in excess of $100,000, as against 20 in the previous week.

Mortality was heavier during the week in all industry and trade groups except retail trade. The only marked increase took place in construction where casualties rose to 37 from 27. The contrary decline in retailing brought its toll down to 99 from 103 last week. Neither retailing nor service had as many failures as a year ago, but a mild uptrend from 1953 prevailed in construction and manufacturing, and wholesale trade held steady.

Four geographic regions accounted for the week's increase, including the Pacific States where casualties jumped to 74 from 39 and the East North Central States where a moderate upturn raised the toll to 32 from 26. In the South Atlantic States, failures continued at 14, while declines occurred in four areas, notably the Middle Atlantic which had 59 as compared with 81 a week ago and the West Central where mortality dropped to 8 from 19. More businesses succumbed than last year in six of the nine major regions. Only the New England, Middle Atlantic, and Pacific States reported fewer failures than in the similar week of 1953.

Wholesale Food Price Index Turns Down Sharply From Record Peak of Week Ago

A reversal of the sharp upward trend of the two preceding weeks carried the Dun & Bradstreet wholesale food Price index sharply lower last week. The index for June 1 fell to $7.38, from the record high level of $7.46 a week ago. The current figure compares with $6.56 on the corresponding date last year, or a rise of 12.5%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Holds to Mildly Lower Trend

Continuing the mildly lower trend of the preceding week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined to 274.00 on June 1, from 274.95 a week earlier and 275.94 two weeks previous. On the corresponding date a year ago the index stood at 276.85.

Grains were unsettled with prices generally working lower. The decline in wheat reflected the approach of the Winter wheat harvest in the Southwest and the recent improvement in crop prospects as the result of ample moisture over much of the belt.

Seeding of Spring wheat in the Northwest was reported about completed under favorable conditions. Planting of corn was said to be practically finished in the main producing areas and the receipt of good moisture in the Midwest acted as a deterrent to prices. Oats and rye showed strength in early dealings but declined later along with other grains.

Trading in grain and soybean futures on the Chicago Board of Trade was substantially lower last week. Average daily sales were 42,400,000 bushels, against 54,100,000 the previous week, and 51,700,000 bushels a year ago.

Bookings of hard wheat bakery flours were held mostly to small-lot replacements for nearby use. Although the supply position of most bakers and jobbers was said to be at a minimum, buying interest was negligible owing to persistent firmness in wheat premiums and the proximity of the new crop movement in the Southwest. Following early strength, cocoa prices fluctuated irregularly and declined sharply on profit-taking and liquidation in the latter part of the week.

Selling was induced by private estimates placing the Brazil mid-crop above the official forecast and fears that recent high prices may curtail sales of chocolate products.

Coffee prices turned easier in moderately active trading last week. Roaster demand for green coffee tapered off with the advent of warmer weather which is likely to curtail consumption. April imports of coffee, according to the Bureau of the Census, amounted to 252,860,000 pounds, only slightly under the March total of 255,458,000 pounds. The raw sugar market weakened somewhat under pressure of nearby arrivals from the Philippines. The lard market developed a firmer trend in the latter part of the week.

Spot cotton values gained some ground although movements were narrow and irregular. Sustaining influences included moderate mill price-fixing and scattered buying induced by continuing favorable export trade.

There was some selling at times as the result of the quickening pace of withdrawals of cotton from the government loan.

Reported sales of cotton in the ten spot markets last week fell to 68,700 bales, from 104,100 a week earlier, but were well above the 36,900 for a year ago. Loan repossessions for the week ended May 21 totaled 111,300 bales, the highest for the season thus far. Of the 6,830,400 bales of 1953 crop cotton in the CCC loan, 1,217,300 have been repaid, leaving loans outstanding on 5,613,100 bales.

Trade Volume Registers Perceptible Rise Above Week Ago

The volume of retail sales in the period ended on Wednesday of last week increased perceptibly from that of the preceding week and was slightly above the year-ago figure for the similar period. The favorable yearly comparison was due in part to the fact that Memorial Day in 1953 fell on a Saturday, which eliminated some of the week's usual heavy shopping last year.

Suburban stores continued to report slightly better business last week than did large city department stores.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be unchanged to 4% above the level of a year ago. Regional estimates varied from the comparable 1953 level by the following percentages: East and Pacific Coast +5 to +9; Northwest +2 to +6; New England 0 to +4; Midwest +1 to —3; South 0 to —4, and Southwest —1 to —5.

Women's apparel registered increased sales of clearance coats, cotton separates, lingerie and beachwear. Purchases of men's cord, silk and other Summer suits moderately improved, as did slacks, work clothes and neckwear. The call for children's clothing gained during the week, as plans were made for vacation and camping activities.

Housewives turned their attention the past week to warm weather and picnic fare. Cold cuts, poultry, eggs and fresh fruits, particularly berries and peaches, were in demand. Tea sales continued to expand, as did sales of instant coffee.

Household purchases remained unchanged from the week before and were below last year's figure. The popularity of aluminum furniture remained high and television sets, air conditioners and fans retained their improved selling position. Household linen buying slackened.

Automobile sales were steady during the week with used models moving more rapidly than new ones.

Wholesale trading in the period ended on Wednesday of last week generally declined from the preceding week's level and was considerably below the volume of a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended *May 29, 1954 increased 8% above the level of the preceding week. In the previous week, May 22, 1954, a decrease of 5% was reported from that of the similar week in 1953. For the four weeks ended May 29, 1954, a decrease of 2% was reported. For the period Jan. 1 to May 29, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City last week suffered a decline of from 15% to 20% below that of a year ago, because of the Memorial Day holiday.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended *May 29, 1954, registered an advance of 15% above the like period of last year. In the preceding week, May 22, 1954, a drop of 5% was reported from that of the similar week in 1953, while for the four weeks ended May 29, 1954, no change was reported. For the period Jan. 1 to May 29, 1954, no change was registered from that of the 1953 period.

*In using year ago comparisons, allowance should be made for the fact that this year stores were open six days whereas in the corresponding week last year stores in most districts were closed on Saturday in observance of the Memorial Day holiday.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of the major banks for the second quarter of the current year have now been pretty well determined. While final adjustments for taxes or reserves may alter current expectations slightly, the operating results, which are the most important determinant of final figures, seem clearly established.

On this basis current indications are that second quarter earnings, as in the first period, will show gains over last year. The increase may not average so large as in the three months ended last March for the upward trend in operating earnings which has prevailed for several years has about run its course. Barring some major change in operating conditions, we would expect operating results eventually to decline slightly or stabilize moderately below the current level. Even so, year to year comparisons for the second quarter should be favorable.

A year ago, the major banks were benefitting from a very favorable set of circumstances. There was not the customary seasonal liquidation in loans and the demand for credit was strong. At the same time interest rates were rising. The prime rate was raised to 3¼% during March and the banks were adjusting other rates accordingly.

To some extent these factors were reflected in second quarter operations with most of the banks showing gains over the earlier period. However, the full impact was not felt until later in the year. Nevertheless, the gains made in the second quarter of last year may modify the comparisons of the current period with a year ago.

Operating conditions so far this year have not been so favorable as in 1953. In contrast to the strong demand for credit a year ago, the seasonal liquidation of loans has been substantial. Also, interest rates have eased and the prime rate was reduced to 3% earlier this year.

Thus we have a situation which is almost the reverse of a year ago. There are several redeeming features, however. Last year the banks were able by engaging in switching operations to substantially improve the rate of earnings on investment holdings. This was particularly true with respect to government securities. These better returns are currently aiding income even though present yields are considerably lower.

Also, reserve requirements at Central Reserve cities were reduced by two percentage points last July providing the banks with a larger volume of earning assets. These funds were invested at favorable yields and have been providing a good return for almost one year. There also has been a better deposit trend over the past year for many of the larger banks and this has helped earning assets.

Tax changes have also helped in many cases. Although only one or two banks actually increased excess profits taxes a year ago. Others took measures to minimize the tax burden through security losses, etc.

Thus, even though loans are down and interest rates have eased the full effect of these changes will not be reflected in the second quarter results.

On the average we would expect a slight gain in operating results although in individual instances a slight decline may be shown.

A tabulation of the first quarter operating earnings is presented below together with the per share results for the second quarter of last year as a guide for the figures to be published the first part of next month.

	—1st Quarter— 1954	1953	Percent Change	2nd Quarter 1954
Bank of Manhattan	*$0.65	*$0.62	+ 4.8%	*$0.66
Bank of New York	8.01	7.04	+13.8	7.46
Bankers Trust	1.18	0.96	+23.8	0.83
Chase National	‡0.91	0.84	+ 8.1	0.89
Chemical Bank	1.04	0.98	+ 6.1	0.96
Corn Exchange	1.45	1.32	+ 9.8	1.33
First National	*5.69	*5.40	+ 5.4	*6.23
Guaranty Trust	‡1.23	0.98	+25.2	0.97
Hanover Bank	*1.37	*1.26	+ 8.8	*1.26
Irving Trust	0.41	0.39	+ 4.6	0.42
Manufacturers Trust	1.42	1.37	+ 3.8	1.44
Morgan, J. P.	4.74	4.37	+ 8.5	5.18
National City	1.12	1.03	+ 9.1	1.01
New York Trust	2.23	2.14	+ 4.2	2.22
Public National	0.84	0.80	+ 4.8	0.90
U. S. Trust	*4.87	*5.23	— 7.0	*5.28

*Indicated earnings. ‡Partly estimated.

Mutual Funds

By ROBERT R. RICH

EIGHTY-EIGHT out of every hundred investors or potential investors are interested in buying securities because they want to reach specific personal financial goals, according to statistics released today by Hugh W. Long and Company, underwriters of mutual funds. The Long Company's sampling of investors and potential investors covers the entire United States and was based on responses to a recent two and one-quarter page newspaper advertisement of Fundamental Investors, Inc. a mutual fund with more than $190,000,000 of assets.

Financial preparation for retirement is the goal most frequently sought. More than 65% of the people who replied to the advertisement indicated that a "nest egg" for retirement years was uppermost in their minds when considering an investment. Whatever their reasons for investing, 86% of those responding asked for information about systematic investing on a regular periodic basis.

Results indicated that investors in rural and urban areas apparently do not differ in their investment desires. Samplings from both types of areas showed substantially identical investor interest.

KEYSTONE Custodian Funds, Inc. reported that the combined net assets of its 10 Funds amounted to $247,182,000 on May 27, an all-time high. The Trustee simultaneously released its Semi-Annual Reports to S-3 and B-2 shareholders covering operations of these two Funds for the first six months of the current fiscal year ending Oct. 31, 1954.

Speculative Common Stock Fund "S-3" whose April 30 portfolio consisted of 45 stocks held for capital growth in rising markets, accompanied its report of a six months' gain of 23% in net asset value with the following table comparing the Fund's performance with the average performance of the 210 speculative common stocks from which the S-3 portfolio is drawn:

	% Change S-3 Fund	% Change S-3 Class	S-3 Fund's Margin of Benefit
Six months to 4/30/54	+ 23.18	+15.69	+ 7.49
Twelve months to 4/30/54	+ 17.60	+ 8.55	+ 9.05
Since June 1949 low	+125.96	+90.39	+35.57

Changes in the Fund are as follows:

	April 30 1953	Oct. 31 1953
Total net assets	$5,976,438	$5,460,640
Shares outstanding	712,154	735,230
No. of shareholders	3,592	3,534

Medium-Grade Bond Fund "B-2," whose April 30, 1954 portfolio consisted of 39 issues selected for moderate return and relative price stability, reported the following changes during the period:

	April 30 1953	Oct. 31 1953
Total net assets	$21,644,010	$21,725,168
Shares outstanding	902,819	839,834
No. of shareholders	9,317	9,185

THE TRUSTEE today also released its Semi-Annual Report to shareholders of Keystone's High-Grade Common Stock Fund "S-1" covering the first six months of the fiscal year ending Sept. 30, 1954. Largely as the result of favorable market action during the period, the Fund's 41 "blue chip" stocks selected from the 110 usable issues in the class of high-grade common stocks showed a 5.04% net gain over the class, and a 17.29% increase in net asset value in the six months ending March 31. These are the results:

	*Mar. 31'53	Mar. 31,'54
Total net assets	$4,845,979	$5,514,168
Shares outstanding	415,551	442,721
No. of shareholders	1,600	1,751
Inc. divs. per share	23c	24c
Value per share	$11.66	**$12.46

*Figures adjusted to reflect 200% stock distribution effective Jan. 1, 1954. **For true comparison with the March, 1953 figure, these per share values should be adjusted to read $11.11 and $12.96 respectively.

Portfolio changes for the first six months of the current fiscal year were as follows:

ADDITIONS

duPont (E. I.) de Nemours & Co.
Eastman Kodak Co.
Parke, Davis & Co.

ELIMINATIONS

Commonwealth Edison Co.
Dow Chemical Co.
Fidelity-Phenix Fire Ins. Co. of N. Y.
Montgomery Ward & Co., Inc.
New Jersey Zinc Co.
Standard Oil Co. (N. J.)

SALES of the National Securities Series of Mutual Funds for the five months ended May 31 totaled $24,244,208, a rise of $2,790,698 or 13% from the volume for the first five months of 1953 and an all-time high for the period, according to E. Waln Hare, Vice-President of National Securities & Research Corporation, sponsors and managers of the Funds.

Mr. Hare said May sales set a new record for the month at a level 30% ahead of a year ago and that total net assets on May 31, 1954, "Exceeded $170,000,000."

THE LARGEST MAY sales of shares in the 16-year history of Delaware Fund were reported here by W. Linton Nelson, President.

Mr. Nelson said May sales amounted to $420,000 for an increase of 84% over May sales last year of $227,660. The Delaware executive added that May sales were the largest for any month thus far this year and were up about 5% over last month.

THE GEORGE PUTNAM Fund of Boston reports sales of new shares during May were more than $1,000,000, 50% higher than in the same month last year. Total gross sales for the first five months of 1954 were in excess of $6,500,000, an increase of 11% over the same period last year, which established a new record.

Sales less repurchases for May were 72% above May of last year, and for the first five months of 1954 were 5% above the same period of last year. Total net assets as of June 1 were $82,119,000.

"WHEN GROWTH industries are mentioned, steel is not likely to come to mind, yet few industries have had such an impressive growth," states Distributors Group, sponsor of Group Securities, Inc.

"In the past seven years sales of four leading steel companies have increased approximately 65% and their net income 190%. And over a long period of years both the sales and net income of these steel companies have increased at a much faster rate than the increase in national disposable income.

"Demands for higher standards of living as well as the increase in our population inevitably mean more steel. Sales of steel have recently been increasing and the general outlook shows steady improvement. Despite generous dividends, recent prices for common stocks of 10 of our largest steel companies are less, on average, than the amount those companies have plowed back into their plants and working capital in just the past 15 years.

"Holdings of steel stocks have been increased in recent months in our cross-sectional funds. They presently comprise 7% of assets of Fully Administered Fund, about 10% of assets of The Common Stock Fund and about 6% of assets of our Capital Growth Fund."

TELEVISION - ELECTRONICS Fund reported May sales of $1,793,679 or more than treble the sales of $478,070 in May, 1953.

Sales of the Fund for the first seven months of its fiscal year, which begins Nov. 1, were also at an all-time high amounting to $9,385,462 for an increase of 34% over sales of $6,996,430 in the like period of the preceding year.

The number of shares of the Fund outstanding in the hands of the public topped the 5,000,000 mark today for the first time in the Fund's six-year history.

SCUDDER, STEVENS & Clark Fund, Inc., reports total net assets of $43,922,236 on June 7, 1954, equal to $31.12 per share on 1,411,475 shares outstanding on that date. This compares with total net assets of $37,926,846 a year ago, equal to $27.29 per share on 1,389,690 shares then outstanding.

SCUDDER, STEVENS & Clark Common Stock Fund, Inc., reports total net assets of $6,320,251 on June 7, 1954, compared with $4,510,743 a year ago. Per share net asset value is $16.85 on 374,979 outstanding shares, compared with $13.81 per share on 326,625 shares outstanding at that time.

ONE HAT that has never gone out of style is the mortar board and tassel worn at college graduations. But the privilege of wearing this hat has become more and more costly through the years.

In a current survey of the costs of learning and living at five well known colleges, Hugh W. Long and Company, Inc., underwriters to Fundamental Investors, points out that average minimum college costs per year have increased sixfold, from approximately $300 a year in 1900 to $1,800 a year in 1954. Since 1940, costs have risen over 60%.

Average yearly costs of supporting one child at college today, says the Long firm, absorb 38% of the income after taxes of a family with $5,000 of earnings; 22% of the income after taxes of a family with $10,000; 14% of the income of a family in the $15,000 bracket.

Entitled "Preparing for College—The Parents' Problem," the survey warns that parents should be prepared for the possibility of even higher costs in years ahead. Preparation by parents for paying education costs, says the survey, should begin early and include investments that can help keep pace with changing college costs. For example, a $1,000 investment in shares of Fundamental Investors, made in 1944, with reinvestment of dividends and profits, it was stated, would be worth more than $3,280 today.

TOTAL NET ASSETS of T. Rowe Price Growth Stock Fund were $3,021,774 on June 7, 1954 as compared with $2,209,229 on Dec. 31, 1953, and the net asset value per share increased from $34.24 to $41.99 during the same period.

PERSONAL PROGRESS

ROBERT M. STEINBURGH has joined the investment management staff of National Securities & Research Corporation, it was announced by Henry J. Simonson, Jr., President.

R. M. Steinburgh

Mr. Steinburgh will serve as a member of the Policy Committee and the Investment Committee of the corporation which manages and sponsors the National Securities Series of Mutual Funds.

Educated at the Massachusetts Institute of Technology and Ohio State University, Mr. Steinburgh has had a total of 22 years of experience in security analysis, economic research and investment management.

He previously was in charge of research at Tucker, Anthony & Co., and prior to that was a senior analyst with Merrill Lynch, Pierce, Fenner and Beane. During World War II, he was an officer in the Army Corps of Engineers.

Continued from page 7

Will Business Activity and Interest Rates Recover in 1954?

ment is not continued long enough and is not drastic enough to work its way into the sticky part of the spectrum. But if the flexible rate movement is persistent, we can be sure that eventually the slow-moving money rates will follow suit.

What I have been demonstrating so far is that all interest rates in the United States are related to each other and that, because of this relationship, movements in one part of the total money market will sooner or later be transmitted to all the other parts. But this relationship alone is not of course sufficient to justify my statement that the government securities market determines mortgage loan rates. Why, for example, do I not say that mortgage loan rates determine government security rates?

There is of course some interaction between all money rates, and it is true that conditions in the mortgage loan market have some effect on conditions in the government securities market. But I think there is good reason to hold that it is the government securities market which controls all the other money markets. This good reason is found in the existence of one agency in the government securities market which can act either as borrower or lender, and whose resources are so great that it can borrow or lend amounts which, for all practical purposes, have no limit. This agency is the Open Market Committee of the Federal Reserve System.

As you know, the Federal Reserve banks are authorized to buy or sell government securities in the open market, and they can, in practice, buy or sell in such volume that they can completely control this market. At present the Federal Reserve banks hold over $24 billion of government securities. This gives you an idea of the downward effect which they could exercise on government security prices if they chose to unload any appreciable part of their holdings. On the buying side, their ability is also practically unlimited. Since they pay for the government securities with drafts drawn on themselves and since these drafts are eventually deposited with themselves, they do not operate under the usual difficulties which you and I have with respect to money.

These powers are not just theoretical powers; they are exercised almost every week. If the Federal Reserve wishes to make money easy, it buys government securities. The first and immediate effect of this purchase is of course to strengthen the price of government securities, thus forcing down yields in the government security market. But in addition to this first effect, there is a further easing effect because the Federal Reserve Bank creates the money which it uses to buy the government securities. It thus pours out that much new money into circulation. This new money swells the reserves of the commercial banking system and puts pressure on them to get these funds to work. As this new money works its way first into one loan market and then into another, it begins to force down a whole series of interest rates. A further effect is produced by the fact that, as the prices of government securities rise in response to the Federal Reserve purchases, investors tend to sell governments to take advantage of the high price, and less new money flows to governments because of the declining yield. Money formerly in the government securities market thus goes out into other loan markets. The initial easing in the government securities market spreads in ever widening scope out into all the money markets of the United States, causing all rates to follow government security rates.

What Has Been Happening to Interest Rates

Let me trace briefly what has been happening to interest rates during the past year in order to show you the power of the Federal Reserve in controlling all interest rates in the United States.

In the first few months of 1953, a fairly tight money situation developed. The demand for business loans was very heavy, construction was booming, consumer loans were rising rapidly, and state and local governments were in the market for large financing. In addition, the Federal Government, faced with receipts somewhat below what it had anticipated, was doing considerable net new borrowing. The money market was further tightened by the outflow of gold from the United States and by the failure of money in circulation to contract in accord with normal seasonal patterns.

The Federal Reserve was apparently of the opinion that the underlying situation was inflationary, so that it took no action to ease this tight money market. As might be expected, interest rates of all kinds rose strongly.

In May, however, the Federal Reserve apparently changed its mind about the underlying business situation. It made a few cautious open market purchases. Then suddenly, in the first part of June, the Federal Reserve banks stepped into the market in a drastic way. Federal Reserve holdings of government securities in the first three weeks of June rose by the tremendous sum of over a billion dollars. The effect on the money market was immediate and drastic. Money rates, which had been climbing rapidly, suddenly reversed direction and headed for the cellar. The reversal quickly spread from the government securities market to the corporate bond market, to the open market in commercial paper, and to other sensitive rates.

Now, it is true that business activity also turned down about the middle of 1953. A part of the easing in the money market has therefore been due to some decline in the demand for loans. But the drastic manner in which interest rates turned down and the extent to which they have subsequently declined has not of course been simply a reflection of lessened business and consumer borrowing. The course of interest rates has been the direct result of Federal Reserve actions designed to knock down these rates.

The principal reason why I have briefly traced the 1953 movement of the money market is to indicate to you where we must look if we want to know what is going to happen to interest rates during the remainder of this year. Interest rates, including your own mortgage loan rate, will be determined less by the course of housing and general business activity in 1954 than they will be by the deliberations of the Federal Reserve Board. In attempting to forecast the future direction of interest rates, we must therefore attempt to forecast Federal Reserve policy. What sort of policy can be expected from the Federal Reserve Board during the remainder of 1954?

Federal Reserve Actions

A clue to Federal Reserve policy in the period head is provided by Federal Reserve actions during the past year. Since May, 1953, the Federal Reserve has poured into circulation over $800 million of new money through open market purchases of government securities, released over $1 billion of bank reserves through a lowering of reserve requirements, and has twice lowered the rediscount rate. Federal Reserve spokesmen, furthermore, have left no doubt that their intention has been not simply to prevent a tight money market, but to actively pursue an easy money market. At the time of the most recent change in the discount rate, it was announced that the reduction was in line with the continued policy of "active ease" being pursued by the Federal Reserve.

Everyone is of course entitled to his own particular choice of words, but I would call the policy of the Federal Reserve one of "aggressive ease" rather than "active ease." It seems to me—and I would like to emphasize that I am speaking for myself alone — that the Federal Reserve has gone completely overboard in its easy money policy. I can see no justification, for instance, for driving Treasury bills down to the point where corporations choose to keep their short-term funds in idle bank balances rather than buy the bills.

I am heartily in agreement with the use of monetary policy in an attempt to offset fluctuations in general business activity. I also support the use of general credit controls such as are being employed by the Federal Reserve. I agree further that the present situation calls for an easy money policy. But the extent to which that policy is now being carried seems to me completely unjustified.

Effects of "Easy Money" Policy

The purpose of an easy money policy should be to insure a supply of loanable funds adequate to meet all sound demands at reasonable rates. We have had that adequate supply for some time now, and certainly rates cannot be described as high. When the easy money policy is pushed beyond the point of adequacy and is used deliberately to knock down interest rates to extremely low levels, it seems to me to have passed the point where it is being used as a stabilizing device. It then constitutes a device for forcing lenders to subsidize borrowers. It constitutes a device whereby the depositors of savings and loan associations and the policyholders of life insurance companies—most of whom are not wealthy individuals —must subsidize all borrowers.

I am well aware of the political pressures on the Federal Reserve, and of the great responsibilities which they shoulder. But it is certainly fair to ask whether an aggressively easy money policy is appropriate to a situation in which prices are stable, construction is booming, wages are rising, and over-all business activity is showing good signs of recovery.

Returning, then, to the question of the outlook for interest rates—the best guess would appear to be that rates will remain low for the remainder of this year. The Federal Reserve gives no evidence of modifying its policy of active ease, and there is of course an election this November. With respect to mortgage loan rates in particular, I would not be surprised if they were slightly lower at the end of the year than they are now.

Despite this slightly unfavorable interest rate outlook, I believe that the full year 1954 will be a prosperous one for the savings and loan industry. With rising employment and incomes, the people of the United States will continue to evidence the confidence they have exhibited in the past in our institutions. Savings will be high, the housing market will continue strong, and the general business atmosphere in which you will operate will be favorable. I wish each one of you a full share of the continued prosperity which is in store for our great country.

Continued from page 10

Role of Hotel Chain In American Economy

interesting and effective steps to minimize this competition.

Effective Hedges Against Inflation

Many of those most familiar with the problems of inflation have agreed that hotel corporations, particularly those having wide geographical diversification, represent one of the most effective hedges against inflation. This situation is in part attributable to the leverage afforded by the senior debt characteristics of most hotel properties. In an economy where the likelihood of continuing inflation is far greater than the danger of extended deflation, the equity shares of companies such as those owning large hotel chains should normally sell at a premium above asset value.

Actually, the securities of such companies appear to sell at a considerable discount from the indicated asset value. In the case of Sheraton the common shares listed on the New York Stock Exchange, selling around $8, have an asset value of over $22 a share, according to the estimates of the management. That the appraisals of the management are conservative can be judged from the actual experience with some dozen or more sales of Sheraton properties in recent years in connection with a program of relinquishing certain hotels when larger or better ones have become available. In such instances, the properties were sold for amounts in excess of the appraisal values, even after providing for the discount on second mortgages accepted as part payment, which must ordinarily be allowed when selling for cash — discounts which of course were taken into consideration when the selling price was established. Sheraton believes that the $22 asset value errs, if at all, on the low side.

Hotel companies are frequently criticized for the lack of large amounts of working capital or failure to show the usual 2 to 1 ratio of current assets over current liabilities which is expected of manufacturing or merchandising enterprises. There have been many instances where hotel companies have operated very successfully with current assets exceeded by current liabilities, and for most purposes a 1 to 1 ratio is considered adequate. The hotel business is substantially a cash business and no large inventories need be carried. This is largely due to the fact that the principal sales of hotels are their rooms. Since these are represented by fixed assets, no inventory has to be carried for the purpose of making room sales.

Actually, it is interesting to note that a company like Sheraton with fixed assets at book value of $80,000,000 and estimated fair market value of $125,000,000 actually has fixed assets that are perhaps more "liquid" than the inventories of most manufacturing enterprises, particularly where "work in progress" represents a substantial part. Hotels are very readily salable and not at distress prices, but for at least and sometimes more than their fair cash value. The down payment is likely to be 20% of the purchase price and another 50% is usually financed through first mortgages. The intermediary financing, ordinarily in the form of a second mortgage, is also readily marketable for cash but at a discount that usually varies from 25% to 30% depending on the terms and maturity of the obligation.

Chain Hotel Ownership Still in Infancy

Chain ownership and operation of hotels is in its infancy at the present time, compared to other industries in this country. It is a relatively recent development, being taken on its present serious aspect only within the last decade or so. It is hardly yet adequately understood by the financial community, with fortunate exceptions, or the investing public. Their conception of real estate securities and equities, and the securities of hotel chains are classified in that category, is derived from the collapse of such securities in the depression of the 1930's. They think of S. W. Straus and similar misfortunes. But today's hotel chain is as different from an S. W. Straus financed property as day is from night. The securities of hotel chains not only represent conservatively financed real estate but also scientific efficient management with the great advantages and possibilities which I have outlined. All of this is slowly beginning to be recognized. I therefore see a very healthy future for chain operated hotels.

Joins A. C. Karr Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Laurence F. LeBaron has become associated with A. C. Karr & Co., 523 West Sixth Street. Mr. LeBaron who has been in the investment business for many years has recently been with Professional Service Plan and First California Company.

With Perry T. Blaine

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio—Raymond M. Winger is now connected with Perry T. Blaine & Co., 4519 Main Avenue.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Paul W. DeLaney is now with Goodbody & Co., 217 South Church Street.

Continued from page 14

Is Aid to Underdeveloped Countries in Our Own Interest?

cially underdeveloped countries—can allocate toward defense, as compared with expenditures for economic purposes. Let us not forget that Communism must be guarded against from within as well as from without. Here again, this is particularly true among underdeveloped countries where, through the seeming irony of fate, populations are large and present resources are small. This results in a woefully low standard of living. It is among such under-privileged peoples that the apostles of Communism seek to plant the evil seed of their seemingly beguiling, but actually vicious doctrines.

In the light of these circumstances, I fear that, in the ultimate analysis, it is unsound to propagandize for increased arms outlays among such countries to the derogation of their expenditures for constructive, economic purposes. However timely and laudable may be our dedication to resist, at almost any cost, further communist aggression, we must be vigilant lest, in encouraging countries to build costly bulwarks against it, we lure them into sacrificing their domestic development, which is the soundest safeguard against the spread of communism from within and which, by every test, is the most effective fertilizer for the growth of democracy.

So much for the strategic and political aspects of our foreign aid. Now let us appraise the economic considerations of such aid. To cast it in proper perspective, may I revert to the earlier cited recapitulation of our total, overall foreign aid from the end of World War II through the U. S. fiscal year, 1955. You will recall that this total is $52,497,000,000 or, in round figures, $52,500,000,000 for the 10 years in question. Of this amount, $16,750,000,000 was for military, not economic, purposes. Thus, the amount expended for economic aid to all countries, underdeveloped or not, totals $35,750,000,000 or at a yearly average of $3,575,000,000.

Expenditure Reasonable

Viewed in the absolute, either the total or the annual expenditure appears to be colossal. However, when gauged in relation to our gross national product, or our national income, or our foreign trade, I think these figures assume relatively smaller proportions. I need not devote much time before so informed an audience as this in demonstrating how important foreign trade is to our economy; and we can only hope to enlarge such trade by raising living standards throughout the world. Even now, save for artificial, corrective, economic measures, such as foreign aid, we are in an untenable trade position. I am alluding, of course, to the fact that we are a vast creditor country. Simultaneously, we adhere to our policy of maintaining a favorable balance of trade. I submit that these two directly interrelated phenomena cannot continue to prevail side by side.

As an ancillary point, I should add that, for the continuance of our economic prosperity, our world trade is a basic necessity; in turn, we can only carry on world trade if we are prepared to be an importer to at least the same extent as we are an exporter. The world can only pay us for our exports in either capital or products which they ship to us. Since we, who constitute only 7% of the world's population, have approximately 45% of the world's assets, it is patent that we are the vast storehouse of capital.

In fact, in an article entitled "The Case for Private Investment Abroad" in the April, 1954 number of "Foreign Affairs," Harold E. Stassen, Director of our Foreign Operations Administration, whose words should carry weight on the subject, wrote "At the present time the United States is the only important country with surplus savings available for foreign investment. . . . Such investment—if done wisely—increases our national income, raises our level of employment, increases the flow to the United States of necessary primary raw materials, and raises our standard of living."

Importance of Building Up World Trade

There is only one further authority I would like to quote, especially to this audience, on the importance of building up our world trade. It is your own League position on trade which I quote from your "Tips on Trade" of February, 1954, where you state:

"A U. S. trade policy should aim to expand world trade rather than contract it. Such a policy for the U. S. means an increase of imports into the U. S., which is a prerequisite to a continuance of a high level of U. S. exports in the absence of government foreign aid."

If I may be so bold as to comment on the last phrase of this statement, I think I can demonstrate that there is a fallacy implied, or, in fact, expressed, in your words "in the absence of government foreign aid." Those words advance the thesis that with a mere continuance of U. S. Government aid we could continue to export more than we import. As I indicated above, I think this is economically impossible for the reasons I there stated. If time permitted, I think I could even demonstrate how there would be no means for remitting this aid in the face of our continuing to insist on maintaining our favorable balance of trade.

To ensure a continuance of a high level of U. S. exports, the world needs American willingness to accept imports; but in addition, it requires U. S. capital, be it in the form of government aid or private investment, of the type and of the magnitude contemplated by the quotations and figures cited above. Such capital is required to help develop the underdeveloped countries and to raise the standard of living in countries with more matured economies. This process increases the purchasing power of all these countries and thereby redounds to the advantage of our trade.

I know of no specific formula for determining the amount of American aid or investment which is required for this constructive purpose; nor, so far as I am aware, are there any reasonably accurate means for evaluating the precise amount by which our foreign trade and our overall economy is benefited, dollar for dollar, by such aid. I do know, however, that the converse certainly paid off in princely sums; namely, when we were an underdeveloped country—and that was not so very long ago, measured by the time factors of history — monies purveyed to help develop our vast territory brought rich rewards to those who made available to us this vitally needed capital.

I appreciate that the situation confronting our young, undeveloped, underpopulated country, rich in natural resources, was by no means completely parallel to the situation confronting underdeveloped countries of today. I submit, however, that the situations are sufficiently similar to support the thesis that money advanced for the development of present-day underdeveloped countries may well produce many of the well-nigh incredible results accomplished by development monies poured into this country in years gone by.

Moreover, to frame this picture in its proper setting, let us revert once again to the amounts involved: an annual average expenditure of about $3,575,000,000 for foreign economic aid is not large when compared to our gross national product which, for 1953, was $367,200,000,000; or our national income which, for that year, was $307,700,000,000. Inasmuch as I used a 10-year average figure to reflect this aid, I think it is only fair that I should likewise use an average—and not the single largest year—for measuring gross national product or national income.

Consequently, let me hasten to add that for the nine calendar years, 1945 through 1953, our average annual gross national product was $278,700,000,000 and our average annual national income was $236,600,000,000. In proportion to any of these figures, a 10-year average of $3,575,000,000 in foreign economic aid shrinks considerably in dimension. Even in the perspective of our import-export picture, it does not seem to me to be of the colossal magnitude in which some of our less internationally minded fellow citizens seem to view it. For 1953 our exports totaled $15,755,000,000, of which military aid accounted for $3,504,000,000. Our normal exports, therefore, amounted to $12,251,000,000, whereas our imports totaled only $11,831,000,000. This illustrates again how important it is for our foreign trade, for our entire economy, and for the world in general—especially the underdeveloped countries—that economic aid be made available by the one country which is in a position to purvey it. Rather than inveigh against furnishing such constructive aid, we may well be proud and grateful that it is our country which is in the blessed and enviable position of being able to furnish it; and, even if for no purpose more lofty than our own self-interest, we should welcome the opportunity to furnish that aid.

It would, I think, represent an unfair and myopic reflection of our national tradition and conscience to end our viewing of today's subject in the light of mere self-interest. This would seem to me to be even more regrettable before a body of women; for to women we attribute a greater respect for the finer sensibilities of life, be it personal or national. Consequently, let us focus our vision on the fourth and fifth of the major standpoints, from which I stated at the outset, the security and welfare of our country—or any other — must be gauged, namely the social and moral aspects.

It has been well said that we of this generation live in "one world." I fully subscribe to this concept. I might add my firm conviction that we cannot if we would, and we should not if we could, live in a world of "half riches and half rubble." Consequently, from the social and moral standpoints we, who have been blessed by destiny—not inconsiderably enhanced through our own efforts — to enjoy the highest standard of living the world has ever known, should be willing to share some of our bounty with our less fortunate brethren throughout the world. Let me reiterate the thesis I endeavored to develop earlier in this discussion that, in figuratively "casting our bread upon the waters, we will find it after many days"; and these will be days justly filled with the satisfaction derived from sharing our blessings, even in this relatively small degree.

Lest you feel that I am sacrificing hardheaded economics and business judgment to sentimentality, permit me to quote views which, I think, are quite similar to those I have sought to expound here today. They come from no impractical sentimentalist but from Eugene R. Black, President of the largest financial and economic enterprise ever conceived by the mind of man, the World Bank. In a recent address before ECOSOC (Economic and Social Council of the United Nations), he said:

". . . ; over any considerable period national policy must be based, and must be known to be based, on national self-interest.

"For the industrialized countries, the issue is not the extent of the poverty or need elsewhere, but rather the extent to which it is in their own long run interests to aid in the economic growth of areas whose productivity is still unduly low. I think the time has come when, in their own interests, the industrialized countries must really come to grips with the fundamentals of the problem.

"Those fundamentals, as I see them, are both economic and political. On the economic side, the question is simply whether the industrialized areas are satisfied with the prospect of a gradual expansion of trade within the existing structure of trading relationships, or wish, as a long-term matter, to enjoy the much wider markets which would become available through an increase of productivity, and therefore of consumption levels, throughout the underdeveloped world. This is the same question, on an international scale, which all the industrialized nations have faced and answered in the course of their own national development.

"On the political side, the question is equally clear. It is whether the advanced countries really beleive their oft-stated creed that the best long-term hope for peace lies in the spread of democratic institutions. For surely democracy needs for its vitality an economic climate characterized by hope and not despair. It is only in an atmosphere of economic growth and opportunity that we can realistically expect development of the kind of community which values the rights of the individual above the powers of the State. Economic stagnation and political democracy are not easy companions."

It is difficult to translate the above inspiring but generalized observations into specific terms. Yet, according to Jonathan B. Bingham, in his recent book entitled "Shirt-Sleeve Diplomacy" (p. 157), "In 1951, a group of experts appointed by the U. N. Secretary General estimated that underdeveloped areas as a whole needed over $19,000,000,000 of capital each year in order to raise their national incomes by 2% a year, and that their savings amounted to only $5,000,000,000 a year, leaving a deficit of some $14,000,000,000, most of it in South and Southeast Asia. These estimates have been severely criticized as being exaggerated, but one could cut them by ½ or ⅔ and the problem would still be enormous."

I suggest that however enormous the problem, we of the United States owe it to the world, to our consciences and to generations yet to come to cope with that problem as intelligently and as generously as it lies within our power so to do; and, I repeat, this power, as I have endeavored to outline and substantiate it here today, makes the problem, enormous though it be, appeal to me as being readily susceptible of solution, if we but face it with courage, with intelligence, with determination and with a reasonable degree of dedication.

Herbert Spencer in his essay, "Social Statics," said "no one can be perfectly free till all are free; no one can be perfectly moral till all are moral; no one can be perfectly happy till all are happy." In our own self-interest, and for our own national welfare and genuine happiness as a nation, I commend this philosophy to you, in particular, and to our country, in general, in gauging the value and endorsing the extent of our economic aid to all countries, particularly to those which are still underdeveloped.

First Boston Group Offers Mountain Fuel Supply Co. Debentures

The First Boston Corp. heads a group which today (June 10) is offering publicly $12,000,000 of 3⅛% debentures, due June 1, 1974, of Mountain Fuel Supply Co., priced at 99.25 to yield 3.175%.

The debentures are redeemable at regular redemption prices ranging from 102¾ through May 31, 1955, to 100% after May 31, 1972. A sinking fund will operate to retire the bonds at par commencing June 1, 1958.

Proceeds will be applied toward prepayment of a $7,500,000 bank loan, and for construction and acquisition of properties during the remainder of 1954.

Mountain Fuel Supply Co. produces and purchases gas in fields in northwestern Colorado, southwestern Wyoming and northeastern Utah, and distributes gas in Utah and Wyoming.

The company's gross operating revenues for the 12 months ended March 31, 1954 were $15,779,000 from gas operations and $1,186,000 from non-utility oil operations and net income amounted to $2,949,000.

Robert F. Bates With Investors Realty Fund

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Robert F. Bates has become associated with Investors Realty Fund. He was formerly manager of the trading department for Marache, Dofflemyre & Co. and prior thereto was with Hannaford & Talbot and First California Company.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — David V. Harris is now with Dean Witter & Co., Equitable Building.

Joins Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ralph H. Nishimi has joined the staff of Mutual Fund Associates, 444 Montgomery Street.

Two With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Le Grande A. Gould and Malcolm D. MacGregor have become affiliated with Reynolds & Co., 425 Montgomery Street.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alaistaire C. Hall is now with Sutro & Co., 407 Montgomery St., members of the New York and San Francisco Stock Exchanges.

George B. Garland Opens

(Special to THE FINANCIAL CHRONICLE)

HOLYOKE, Colo. — George B. Garland is conducting a securities business from offices at 606 South Belford Avenue.

With Cantor, Fitzgerald

BEVERLY HILLS, Calif.—Paul E. Hartz has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 13	§73.0	*70.2	70.9	97.9
Equivalent to—					
Steel ingots and castings (net tons)	June 13	§1,740,000	*1,674,000	1,690,000	2,208,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 29	6,431,350	6,434,850	6,621,600	6,356,150
Crude runs to stills—daily average (bbls.)	May 29	¶7,020,000	6,969,000	6,675,000	6,047,000
Gasoline output (bbls.)	May 29	23,063,000	23,353,000	22,567,000	23,131,000
Kerosene output (bbls.)	May 29	2,336,000	2,030,000	2,199,000	2,346,000
Distillate fuel oil output (bbls.)	May 29	9,459,000	9,153,000	9,067,000	9,781,000
Residual fuel oil output (bbls.)	May 29	8,293,000	8,261,000	7,918,000	8,564,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 29	172,855,000	175,552,000	177,058,000	150,810,000
Kerosene (bbls.) at	May 29	23,416,000	22,263,000	19,680,000	22,948,000
Distillate fuel oil (bbls.) at	May 29	71,224,000	68,329,000	61,405,000	70,550,000
Residual fuel oil (bbls.) at	May 29	46,433,000	45,766,000	43,583,000	41,425,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 29	689,292	681,967	647,925	786,755
Revenue freight received from connections (no. of cars)	May 29	592,719	599,311	576,827	663,285
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 3	$204,387,000	$288,482,000	$493,968,000	$215,247,000
Private construction	June 3	107,377,000	152,246,000	362,130,000	86,799,000
Public construction	June 3	97,010,000	136,236,000	131,838,000	128,448,000
State and municipal	June 3	66,724,000	116,583,000	104,276,000	82,787,000
Federal	June 3	30,286,000	19,653,000	27,562,000	45,661,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 29	7,175,000	7,150,000	6,675,000	8,835,000
Pennsylvania anthracite (tons)	May 29	569,000	457,000	403,000	757,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 29	105	106	112	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 5	8,246,000	8,433,000	8,438,000	8,096,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 3	218	206	206	217
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 1	4.634c	4.634c	4.634c	4.417c
Pig iron (per gross ton)	June 1	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	June 1	$28.58	$28.25	$27.25	$38.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 2	29.700c	29.700c	29.700c	29.675c
Export refinery at	June 2	29.625c	29.650c	29.625c	27.800c
Straits tin (New York) at	June 2	94.500c	93.500c	94.250c	95.000c
Lead (New York) at	June 2	14.250c	14.000c	14.000c	13.250c
Lead (St. Louis) at	June 2	14.050c	13.800c	13.800c	13.050c
Zinc (East St. Louis) at	June 2	10.500c	10.400c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 8	99.25	99.18	100.25	91.55
Average corporate	June 8	109.97	110.15	110.70	102.46
Aaa	June 8	114.66	114.85	115.63	105.86
Aa	June 8	112.00	111.81	112.75	104.48
A	June 8	109.79	109.97	110.34	101.14
Baa	June 8	104.14	104.31	104.66	98.73
Railroad Group	June 8	108.70	108.88	109.24	100.65
Public Utilities Group	June 8	110.34	110.15	110.70	102.13
Industrials Group	June 8	111.07	111.25	112.19	104.66
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 8	2.55	2.56	2.48	3.12
Average corporate	June 8	3.17	3.16	3.13	3.60
Aaa	June 8	2.92	2.91	2.87	3.40
Aa	June 8	3.06	3.07	3.02	3.48
A	June 8	3.16	3.17	3.15	3.68
Baa	June 8	3.50	3.49	3.47	3.83
Railroad Group	June 8	3.24	3.23	3.21	3.71
Public Utilities Group	June 8	3.15	3.16	3.13	3.62
Industrials Group	June 8	3.11	3.10	3.05	3.47
MOODY'S COMMODITY INDEX	June 8	439.0	437.1	435.2	415.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 29	239,769	215,487	251,496	226,810
Production (tons)	May 29	241,709	249,190	230,314	247,581
Percentage of activity	May 29	91	91	87	97
Unfilled orders (tons) at end of period	May 29	364,150	371,568	369,140	459,811
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 4	107.24	107.06	109.37	106.18
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	May 22	1,014,227	993,442	1,007,553	705,238
Dollar value	May 22	$45,526,035	$45,767,558	$46,952,871	$31,857,987
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	May 22	1,002,577	993,976	1,015,148	626,354
Customers' short sales	May 22	4,685	8,070	6,940	4,988
Customers' other sales	May 22	997,892	985,906	1,008,208	621,366
Dollar value	May 22	$43,666,483	$44,272,117	$45,950,953	$24,900,347
Round-lot sales by dealers—					
Number of shares—Total sales	May 22	298,180	320,340	390,722	194,390
Short sales	May 22	------	------	------	------
Other sales	May 22	298,180	320,340	390,722	194,390
Round-lot purchases by dealers—					
Number of shares	May 22	319,420	319,370	368,247	292,910
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	May 15	354,430	375,930	288,390	233,790
Other sales	May 15	9,978,370	9,996,970	8,414,920	5,734,780
Total sales	May 15	10,332,800	10,372,900	8,703,310	5,968,570
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 15	1,100,400	1,090,160	919,980	581,730
Short sales	May 15	224,130	220,070	172,830	97,900
Other sales	May 15	934,070	889,270	723,460	437,550
Total sales	May 15	1,158,200	1,109,340	896,290	535,450
Other transactions initiated on the floor—					
Total purchases	May 15	312,200	279,290	296,690	176,710
Short sales	May 15	14,400	19,800	16,000	10,300
Other sales	May 15	283,330	282,530	271,920	173,800
Total sales	May 15	297,730	302,330	287,920	184,100
Other transactions initiated off the floor—					
Total purchases	May 15	358,742	364,215	308,182	219,730
Short sales	May 15	40,390	28,010	33,600	60,690
Other sales	May 15	384,047	361,250	325,083	240,405
Total sales	May 15	424,437	389,260	358,683	301,095
Total round-lot transactions for account of members—					
Total purchases	May 15	1,771,342	1,733,665	1,524,852	978,170
Short sales	May 15	278,920	267,880	222,430	168,890
Other sales	May 15	1,601,447	1,533,050	1,320,463	851,755
Total sales	May 15	1,880,367	1,800,930	1,542,893	1,020,645
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 1	110.8	111.0	111.0	109.7
Farm products	June 1	98.9	99.8	99.6	96.6
Processed foods	June 1	106.3	107.0	106.2	104.9
Meats	June 1	97.7	99.9	96.5	96.0
All commodities other than farm and foods	June 1	114.3	114.3	114.5	113.5

*Revised figure. ¶Includes 676,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of May (000's omitted):			
Total U. S. construction	$1,456,942	$1,439,441	$1,083,795
Private construction	942,244	872,503	635,079
Public construction	514,698	566,938	448,716
State and municipal	410,363	464,906	350,969
Federal	104,335	102,032	97,747
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of April 30:			
Total consumer credit	$27,330	$27,151	$26,455
Instalment credit	20,909	20,900	19,767
Automobile	9,798	9,800	9,111
Other consumer goods	5,188	5,220	5,217
Repair and modernization loans	1,554	1,554	1,435
Personal loans	4,369	4,326	4,004
Non-instalment credit	6,421	6,251	6,688
Single payment loans	2,105	2,073	2,246
Charge accounts	2,566	2,438	2,682
Service credit	1,750	1,740	1,760
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of April:			
Cotton Seed—			
Received at mills (tons)	28,265	56,278	27,705
Crushed (tons)	469,833	597,568	376,581
Stocks (tons) April 30	890,521	1,332,089	613,790
Crude Oil—			
Stocks (pounds) April 30	129,705,000	184,799,000	115,605,000
Produced (pounds)	161,955,000	200,632,000	133,124,000
Shipped (pounds)	191,274,000	211,435,000	170,533,000
Refined Oil—			
Stocks (pounds) April 30	1,140,315,000	1,166,643,000	881,275,000
Produced (pounds)	178,107,000	197,063,000	159,289,000
Consumption (pounds)	176,259,000	167,032,000	92,053,000
Cake and Meal—			
Stocks (tons) April 30	177,739	167,313	178,690
Produced (tons)	219,851	278,124	181,730
Shipped (tons)	209,425	256,898	213,552
Hulls—			
Stocks (tons) April 30	112,223	94,588	93,139
Produced (tons)	106,964	132,752	80,855
Shipped (tons)	89,329	126,650	71,640
Linters (running bales)—			
Stocks April 30	226,187	226,576	147,673
Produced	149,749	188,968	118,630
Shipped	150,138	175,851	169,461
Hull Fiber (1,000-lb. bales)—			
Stocks April 30	983	914	573
Produced	394	1,269	1,172
Shipped	325	1,430	2,211
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks April 30	7,717	8,751	11,904
Produced	2,440	3,328	2,372
Shipped	3,474	3,045	3,934
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of April (000's omitted):			
Ordinary	$2,154,000	$2,330,000	$2,062,000
Industrial	554,000	584,000	543,000
Group	479,000	513,000	664,000
Total	$3,187,000	$3,427,000	$3,269,000
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of May:			
Copper (per pound)—			
Electrolytic domestic refinery	29.700c	29.700c	29.683c
Electrolytic export refinery	29.658c	29.520c	29.710c
Lead—			
Common, New York (per pound)	14.000c	13.904c	12.750c
Common, St. Louis (per pound)	13.800c	13.713c	12.550c
‡‡Prompt, London (per long ton)	£94.396	£93.544	£82.166
‡‡Three months, London (per long ton)	£92.792	£85.250	£79.769
¶Antimony, New York Boxed	31.970c	31.970c	37.970c
Antimony, (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.000c	35.000c
Platinum, refined (per ounce)	$84.000	$84.000	$90.000
Zinc (per pound)—East St. Louis	10.286c	10.250c	11.000c
††Zinc, London, prompt (per long ton)	£79,527	£79,644	£69,028
††Zinc, London, three months (per long ton)	£79,247	£78,816	£69,316
†Cadmium, refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadimum (per pound)	$1.72000	$1.72500	$2.07500
§Cadmium (per pound)	$1.75000	$1.75000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	72.750	73.550	74.000
Sterling Exchange (Check)	$2.81859	$2.81824	$2.81464
New York Straits	93.620c	96.269c	97.295c
§§New York, 99% min.	92.620c	95.269c	96.295c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$248.800	$220.231	$195.000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	60.000c	60.000c	60.000c
Bismuth (per pound)	$2.25	$2.25	------
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of March:			
Total operating revenues	765,963,152	802,533,700	905,622,513
Total operating expenses	611,773,147	629,993,270	673,718,570
Operating ratio	79.87	78.50	74.39
Taxes	73,428,825	82,172,416	111,579,340
Net railway operating income before charges	60,041,257	69,628,457	101,509,342
Net income after charges (estimated)	39,000,000	49,000,000	77,000,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of May 31	$273,555,234	$271,126,620	$266,572,224
General fund balance	5,486,781	4,787,069	3,638,668
Net debt	$268,068,453	$266,339,551	$262,933,556
Computed annual rate	2.347%	2.380%	2.401%
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of May:			
Industrials (125)	4.81	4.86	5.53
Railroad (25)	6.27	6.59	6.15
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.86	4.96	5.34
Banks (15)	4.62	4.66	4.60
Insurance (10)	2.94	3.08	3.40
Average (200)	4.88	4.94	5.51

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colborne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from E. St. Louis exceeds 0.5c.

Continued from page 14

Tax Revision Bill Will Benefit Both Individuals and Business

transition to be made. That is why we feel that returning to the businesses and to individuals part of the money that the Government is saving, is going to aid in an orderly transition to a lower level of government expenditures. It will help make new jobs for people who previously received their income from the Government.

It is because of this that we favored the tax reduction even before we attained a complete balance in our budget, which is so desirable, and yet we are continuing to work almost day and night toward reducing Government expenditures and bringing the budget into balance.

But further tax reduction can only come when our level of expenditures has been reduced further, and as the Government does cut further spending, we hope to pass along to the public to spend or save for themselves, the money that the Government saves through reduction in expenditures.

New Tax Measure Not a Tax Reduction Bill

The Tax Revision Bill, now being considered by the Senate and the Finance Committee, was never intended as a reduction bill. It was intended as a tax reform measure. For years Congressional Committees, the Congress and public bodies have been advocating a complete revision of our tax base. Now we find that some of those people who advocated so strongly are objecting to some of the things that we are proposing. However, under that bill, there will be a tax reduction of about $1,400,000,000.

The corporation side of it, however, through retaining the corporation tax rate of 52% rather than permitting it to go down to 47%, will supply about $1,200,000,000 of revenue that would have gone off and that just about pays the entire cost of the Tax Revision Bill.

Now the provisions of that bill, providing for flexible depreciation allowance and partial relief from double taxation on dividends, we feel will aid business, particularly small business, and these benefits will help businesses to get started and encourage existing businesses to expand, modernize, and to create more and better jobs, which only an expanding economy can provide. It will be most helpful, as I have indicated earlier, in the transmission period to a lower level of Government expeditures.

If I were to summarize for you our tax program in this administration, I would say it is first a reduction of taxes as rapidly as can be justified by reductions in expenditures, and secondly, it is a revision of the tax laws to give millions of taxpayers relief from hardship and inequities, and to lessen restrictions which present laws impose on the growth and expansion of the country's economic system.

I'd like to turn for just a moment, now, to Treasury financing. After all, that is my principal interest at the Treasury. I came in largely to work on financing the government and management of debt.

This Administration inherited not only a budget that was completely out of balance, out of control, but we had a very large public debt that had been built up over two World Wars and a long depression. The debt was not only large but it was concentrated in short-term securities. This concentration of the debt so largely in short-term securities has had an inflationary impact on the economy. Under varying conditions it could have a very deflationary effect on the economy, and so realizing the effect on the economy of a very large public debt we determined to work it out so the debt would be managed, so it would contribute as little to inflation or deflation as possible, in other words, that it would have a rather neutral effect on the inflationary or deflationary impact on the economy.

This means if we accomplish it that we have got to spread the debt out over a longer period of time among a larger group of holders or individuals. We appreciate in this power and electric industry what you are doing in the way of selling Savings Bonds to your employees at a cost to you, but we feel it is very important that the debt be widely owned by a large number of people in this great country, and that they will then have a vital and important interest themselves in what the country is doing.

It also means that the market that is owned largely by financial institutions, banks and others, should be moved out into somewhat longer maturities. Since the administration took office we have had 10 major financing operations. In seven of those 10 operations steps have been made to push the debt out into longer-term securities. This year we have had two major financing operations. In February we were successful in selling $11 billion of 8-year bonds, largely to the banks, but to others as well. Just recently we finished a financing operation where we sold $5 billion of nearly 5-year notes, 1⅞% notes.

Now these two operations, while they were largely in the banking area, tended to extend maturity of the debt and get it in better shape, but it also tended to leave money in the hands of financial institutions, largely for mortgages, for corporate financing and for municipal financing, which we felt was very important in the present state of the economy.

In the months ahead, as we look forward to the future, there will be ample opportunities for us to extend the debt and to get it in better shape, but it presents a real problem because the march of time runs against us. The Secretary likes to talk about this problem as "The Little Alice Problem"—little Alice in Wonderland, because you have got the volume of debt, as time passes, moving nearer to maturity. Last year a total of $22 billion of debt moved into the one-year category from beyond one year, just by the march of time, which meant we had to move out $22 billion to keep where we were. This year $14½ billion moves into the one-year category, so we have got to push $14½ out just to stand still.

The Secretary was talking along this line and one of the girls was taking notes (as I see notes are being taken here) and she called up after the talk and said that she couldn't understand Secretary Humphrey at all, he talks in riddles, he talks about running fast and standing still—she didn't understand our Little Alice program, it is moving the debt into the short-term category.

Monetary Policies

I'd like now to turn with you for a moment to monetary policies. One of the cornerstones of our honest money program at the Treasury, is a independent Federal Reserve system, free to exercise its statutory duty, to restrain inflation, or to assist in combating deflation. In other words, gearing their credit operations to the economy rather than to facilitate treasury financing.

We have see this policy of the Federal Reserve in operation. In the last part of 1952 and the early part of 1953 we saw the Federal Reserve holding back and not providing the banks with sufficient reserves to provide a base for all the credit that was needed by individuals and all forms of mortgages, consumer credit, any kind of credit you can think of was being demanded. This heavy demand, bidding against an existing supply, not an increased supply of Federal Reserve activity, caused the interest rates to rise and made it difficult for you people to get money and it made it more costly.

Then in the spring of last year, as the money market became very tight, and as the estimated needs of business were for greater credit, the Federal Reserve began supplying reserves to the market. In the latter part of the year, after the economy started to turn down a little, and there was shown some need in the economy for a greater supply of reserves, the Federal Reserve inaugurated what they term a policy of activity, that was intended to give a climate from a credit standpoint that would encourage business to go ahead and provide the jobs and the goods that we need to keep the economy going. In those circumstances we have seen the interest rate decline very sharply as the supply of credit exceeded a lessened demand for credit.

We now find as we look over the credit structure there is ample credit in all fields, with the Treasury there is ample credit for individuals, for businesses, home builders, purchasers, for states and municipalities — and periods like now in the municipal market seem to be a little congested, but there is ample credit through the country it seems, to take care of that under the policy of the Federal Reserve.

This change in direction of policy has been criticized by some as being a return to the easy money policy of the 20's, or the war easy money policy. Actually, it is not that. It is a flexible policy designed by the Federal Reserve to promote the public interest, not dominated by the Treasury or anyone else, but those men using their best judgment in the policy, would have it follow the lines of the two Congressional committees that investigated the Federal Reserve and the Treasury—the Patman Committee and the Douglas Committee.

I spent a number of years at the Federal Reserve, some 16 years, and I knew the secretaries of the treasury from Morgenthau on, personally, and I have never seen the relationship between the Federal Reserve and the Treasury on a better businesslike basis than it is at the present time, neither trying to dominate the other, each sitting around the table discussing common problems. I believe that is the way we should run this government.

The aims and objectives, as I said in the beginning of my little talk, are fairly easy to state and summarize: economy, lower taxes and honest money. I believe these aims are being accomplished. The transition to a lower level of government expenditures is taking place rather smoothly. We find public response and support of this program most reassuring to us at the Treasury.

A foundation based on free enterprise, removal of handicaps and restrictions, and sound realistic programs are laying the groundwork for the healthy long-term growth and prosperity of our country. We look forward to the future with confidence.

Continued from page 13

Consumer Credit and Prosperity

recent years consumers have demonstrated a remarkable indifference as to what business analysts have to say." Sometimes they have acted contrary to expected movements in business and government expenditures. For example, during the first few months of 1949, businessmen, government officials and economists were generally pessimistic about business conditions, forecasting a substantial business decline. But consumers were much more optimistic about the future. The "Survey of Consumer Finances," based on interviews during the first 10 weeks of 1949, and published in the Federal Reserve Bulletins of May and June of that year, included the following statements:

"The proportion of consumers who felt their financial position was at least as good as, or better than, a year earlier, was larger at the beginning of 1949 than in any recent year.

"Consumer plans to buy automobiles, other durable goods, and houses at the outset of the year were, on the whole, about as large as buying plans reported early in 1948." As events then turned out, the business leaders and economists were wrong about a major downturn, largely because consumers continued to buy even though they believed prices were then at a high level and that they would be lower.

Thus the possibility that consumers expenditures may move contrary to expected movements in Investment and Government expenditures cannot be disregarded.

Factors in Future Development

However, in order to reach any even tentative conclusions about the likelihood that consumer spending will be at sufficiently high levels both to provide for our economic growth and to offset the declines in government and business spending during 1954, information on several different factors is required:

(1) On the annual rate of growth of the economy.

(2) On the size of expected declines in Investment and Government expenditures.

(3) On the current financial resources of consumers.

(4) On the current attitudes and plans of consumers.

With respect to (1), the annual rate of growth of the economy, based on the recent post-war experience, is forecast at a 3% minimum, which alone would require an increase of approximately $10 billion in total money expenditures. With respect to Government-expenditures, Federal Government expenditures are expected to decline by one-half billion dollars during fiscal 1954 and by $6.1 billion during fiscal 1955. At the same time, state and local expenditures are expected to rise by $1-2 billion per year. A reasonable estimate then of the overall decline in Government expenditures during calendar 1954 would appear to be about $4 billion. According to Department of Commerce figures just released, the actual decline during the first quarter of 1954 as compared with the fourth quarter of 1953 has been at a $3½ billion annual rate.

The best estimates available on planned business expenditures for new plant and equipment indicate a decline of 5% in 1954, $1-1½ billion less than in 1953. Most analysts suggest this as a minimum figure since plans may well be adjusted downward as sales prospects deteriorate. Producers cannot be expected to increase capacity even though tax incentives have been provided in the Administration's tax program, unless they expect an increase in markets. And so far this year, retail sales have been down 3% from the same period last year. Actual first quarter expenditures on producers' durables were down $1.3 billion on an annual rate.

Housing construction was expected to hold close to 1953 levels according to the "Economic Report." The Administration's program of making credit more readily available for home construction may have some favorable effects. Actually total construction expenditures for the first quarter of 1954 have exceeded the fourth quarter of 1953 by $1 billion annually. This is the one very encouraging factor in the present situation. And to the extent that residential housing starts have been maintained demand for other consumer durables may be expected to follow suit.

With respect to the final component of Investment expenditures—change in inventories—the situation is not nearly so favorable—for a reduction of $2 billion in inventories is expected as compared with an increase of $2½ billion during 1953, a total decline of $4.5 billion. As an actual fact, during the first quarter of 1954, the reduction in inventories was at an annual rate of $5 billion.

The total increase required in consumption expenditures during 1954 to provide for regular economic growth and make up deficiencies in other expenditures, will apparently be in the $19-20 billion area. Even if we dispense with our growth estimate, which would much more than offset any over-employment that may have existed in our base year 1953, an $8-9 billion deficiency still remains.

We shall have to investigate consumers' resources and plans to determine the likelihood of such an increase in consumers' expenditures.

The Preliminary Findings of the 1954 Survey of Consumer Finances have been reported in the March, 1954, Federal Reserve Bulletin. It must be stressed that these findings with regard to consumers' financial positions and their spending plans were obtained from a rather small sample. This sample consisted of 2,800 interviews in January and February of this year in 66 sampling areas including the 12 largest metropolitan areas. The results are, of course, subject to sampling and response variations. In addition, consumers' expectations and plans are subject to change as new conditions develop, which may bring about substantial difference between actual consumer behavior throughout the year and their proposed behavior at the beginning of the year.

Consumers' Spending in 1954

Keeping these limitations in mind, what were the financial positions and spending plans of consumers for 1954?

(1) As to actual financial positions of spending units (a) the Survey indicates that increases in income were frequent in 1953 but not so frequent as in 1952. Forty-one percent reported receiving more income in 1953 as compared with 48% in 1952, while 23% reported receiving lower income as compared with only 16% in 1952. The higher income level is indicated in the fact that the most frequent income bracket was at the $5,000-7,500 range, which included 20% of the spending units as compared with 17% in 1952. However 37% of spending units still reported income before taxes of less than $3,000 while 10% showed less than $1,000 income.

(b) The cash position of consuming units at the beginning of

1954 is another important factor to consider regarding their financial position. The survey shows that liquid asset holdings increased during 1953 and continued to be widely dispersed. However, though statistics show that liquid savings have been increasing steadily since 1946, the purchasing power of accumulated cash holdings is no higher now than at the beginning of the period. It is apparently a matter of running fast in order to remain in the same place.

The survey also indicates that 26% of all spending units have no liquid assets.

(The high level of savings reported by the Department of Commerce is, of course, not all available to finance consumer purchases since a substantial portion of it represents funds already used to purchase housing and life insurance.) A further unfavorable factor with respect to the liquid assets position of consumer spending units arises from the fact that consumer debt to finance both housing and other durables has increased steadily during the period. As a result, the net liquid asset position of consumers is down susbtantially in real terms.

(2) Consumers' attitude with respect to their financial positions now is an important factor influencing their consumption decisions—(a) slightly more felt worse off than 1953 (30% vs. 26%) while a slightly smaller percent felt better off (36% vs. 38%).

(b) Consumers' expectations are always important motivating influences on their expenditures.

With respect to incomes during 1954, a smaller percent than in 1953 felt they would be making more at the end of the year (29% vs. 34%) and a larger percentage expected income decline (15% vs. 10%).

(c) Consumers' attitudes regarding current prices may well have a significant influence on their decisions to spend now, especially on postponable purchases. The survey indicated that more than ⅓ expected price declines, a larger percentage than in 1953.

(d) Their attitudes regarding whether or not it was now a good time to purchase major durable goods showed no overall change. However, the most frequent reasons for stating it was a good time, were that prices were stable or lower whereas last year it was good incomes.

(3) We now come to the most critical factor as far as estimating sales of durables is concerned—the actual plans of consumers to purchase in 1954—

(a) New autos—the proportion planning to purchase new autos was lower than in 1953 (7.8 vs. 9) and these plans were largely for the latter part of the year.

(b) Used autos—no change in proportion planning to purchase used autos—but at lower prices.

(c) Furniture and major household appliances—plans to purchase were at a significantly lower level (26.8 vs. 31.9). Considerably fewer planned to buy refrigerators and TV sets while plans to purchase washing machines held up well.

(d) Homes—6.8 vs. 8.8%.

(4) Investment Preferences—No direct connection with consumption expenditures but preferences with respect to 1953 purchases of risk and non-risk investments give some indication of consumers' attitude *re* future business conditions. The period 1949-52 had shown a growing trend toward the purchase of risk assets—common stocks and real estate. 1953 saw a distinct reversal of that trend. Risk assets were now preferred by only 16 vs. 24%; savings bonds by 42 vs. 38; and savings accounts by 22 vs. 20—a further indication of consumers' uncertainty.

I believe that a careful analysis of these various factors would indicate that we have no sound basis currently for expecting that consumers' expenditures will be higher in 1954 than in 1953. The experience of 1949 as well suggests that so long as uncertainties continue it is unlikely that savings will be reduced or accumulated liquid assets be dissipated. Thus an increase in the propensity to consume cannot be expected to help in the current situation.

What About Changes in Consumer Credit Terms?

Under these conditions will changes in consumer credit terms and/or greater selling efforts be likely to bring about any great expansion in consumers' expenditures financed by consumer credit and thus make up the estimated deficiency in total money expenditures in 1954? This appears to be the thesis advanced by Mr. Arno Johnson of J. Walter Thompson Co. and in this connection he states that a 55% increase in consumer credit outstanding can be readily borne by consumers. Accepting for the time being his concept of discretionary income as an adequate measure of consumers' ability to incur debt, his approach is entirely an aggregative approach. It may be true that such an increase could be carried by all consumers if it were spread among them in proportion to their increased incomes and liquid assets. But certain questions suggest themselves immediately to indicate weaknesses in such a thesis, e.g.

(1) Why should individuals in the upper income brackets who have substantial liquid and other savings choose to finance their purchases on credit at a considerably higher cost than the yield on many of their investments, e.g., government bonds. We cannot assume that this group of consumers would prove to be such unthinking investors.

(2) When the great needs for new bath tubs and other durables is mentioned as proof that all that is needed is increased selling efforts, we might ask why these items were not purchased by consumers during the booming 1953 period.

(3) Most important of all, we need to know what consumers use consumer credit to finance their purchases and the extent to which they have already gone the limit in its use.

According to the 1953 survey of Consumer Finances instalment debts were reported most frequently by younger moderate income families ($3,000-$7,500) with children under 18 years of age. Most of these families have relatively little in the way of liquid assets which could be used in meeting repayment obligations. In 1952 10% of the families using consumer credit had short-term debt outstanding equal to 20% or more of their incomes. And this percentage very likely rose during the rapid increase in consumer credit up to the last quarter of 1953. The rise in the delinquency rate on automobile, appliance and other loans, as reported in the March 24 "Wall Street Journal," is another evidence of the extent to which consumers have already been loaded up with debt. Corroboration of this situation is given by Mr. Gordon Hattersley, Vice-President of Sears-Roebuck who on his appearance before the Joint Congressional Committee on the Economic Report, Feb. 9, 1954 stated: "If available statistics are trustworthy, a large proportion of liquid savings is now in the hands of that segment of the population which is already well supplied with automobiles, home furnishings, and appliances, and satisfactory housing. Major stimulus to retail trade over the near term in extra spending by this group does not appear likely."

A further indication of the weakness of the argument that consumer credit is the answer to continuing prosperity is found in the fact tnat consumers have actually been paying off debt during 1954 so that consumer credit has exerted a deflationary influence on the economy during the last three months. This deflationary influence will likely continue until final payments have been made on the great increase of two-year automobile credit granted following the removal of consumer credit controls in May of 1952. When that period has passed we may well expect an improvement in retail trade financed by consumer credit, provided that the economy does not in the meantime suffer serious contraction.

This discussion suggests that the shift from a high production to be high consumption economy may not be so easily realized as some expect and that during the process the economy may well run into substantial difficulties. Mr. Edwin G. Nourse characterizes the situation in military language as Operation Big Switch rather than Operation Little Switch. Certainly if the transition does take place promptly and successfully the consumer credit industry can be expected to play its full part. But other more basic adjustments e.g. in price-cost relationships and in capacity, as well as the use of better selling methods, are necessary before the expansion of consumer credit can be expected to resume.

Strengthening Consumer Credit

In the meantime, what attempts have been made and what further attempts might well be made to strengthen consumer purchasing power and carry us over this transition period without the economy suffering substantial loss of output? It has been estimated that the additional disposable income being made available to consumers by the Jan. 1 expiration of war tax rates and the further tax adjustments in the Administration's original program would amount to a maximum of $2.7 billion. Since that time, a further $1 billion has been added by cuts in selected excise taxes. Thus, though the Gross National Product and personal income have both declined during the first quarter of 1954, botn consumers' disposable income, i.e. income after taxes, has remained unchanged at a $250 billion annual rate and consumption expenditures have been maintained at the same level as during the fourth quarter of 1954—at a $230 billion annual figure.

It is encouraging to see consumption expenditures thus maintained.

But this tax program is evidently inadequate to the purpose of maintaining total money expenditures since the decline in Government and Investment expenditures is not being made up nor is regular economic growth being provided for. What further government action is needed?

It seems clear that further relief to consumers would be more helpful in facilitating the required switch than would relief to producers. Concentration of this relief in the lower and middle income brackets where needs are greatest, spending of disposable income is highest and most debt overloading is already found, would be most stimulating to the economy. At the very least, complete elimination of all excise taxes, which would add another $1½ billion to consumer purchasing power, is justifiable. It may even be that the Democratic attack on the "trickle down" theory of prosperity has some economic justification under present conditions. Let me quote Professor Sumner Slichter of Harvard on this point:

"There is no doubt that the quickest result in halting the recession can be obtained from tax reductions. Since a principal feature of the present recession is the low level of retail sales in relation to personal income after taxes and since there is danger that the deflationary pressure from the prepayment of short-term consumer debts may increase the kind of tax reductions which would be most effective are those that would raise the purchasing power of personal incomes."

With the encouraging gain already reported in construction expenditures during the first quarter of 1954, with the reduction of consumer credit outstanding that will have taken place by mid-year, and with the increases in consumer purchasing power resulting from present and further tax cuts, if they are enacted by the Congress, the consumer credit industry should be able to look forward to a substantial betterment in its business before the end of 1954.

Continued from page 5

What's Ahead for Germany's Business and Finance

to Germany to reconstitute the EPU regulations forthwith to get the credits paid out.

Despatches from abroad within the past few days indicate that effective progress is being made in working out a repayments system to benefit all the creditor countries (Belgium, Switzerland, the Netherlands, as well as Germany). 80% to 90% of the debtor countries' debt would be settled under a special arrangement, of which one-quarter would be subject to immediate payment. The creditors would at once get these payments promised by the debtors, and later on a sizable withdrawal from the fund's resources; of which Germany's share would be about $50 million.

Some Doubts About Her Foreign Trade

Despite her rapid advances in foreign trade, it may still turn out to be insufficient. West Germany's share in world trade is even now scarcely half of what it was in the prewar years.

And the high proportion of her exports to South America are highly vulnerable to political factors as well as any future depression.

Regarding imports: they are only 57% of prewar; and there is the further discouraging fact of their excess over exports in the dollar area, resulting in a dollar gap.

The Impact of Defense Economics

In appraising the outlook, one must include the fillip to the economy currently derived from defense expenditures of various kinds. First, there is the spending on occupation personnel, the cost of which is only partly borne by the Germans, $250 million coming from us, $210 million from personnel and the balance from P-X sales. Second, although their own share of occupation costs has been heavy, they have had no rearmament effort to finance. Third, there is the indirect benefit from NATO expenditures on the sinews of war and quasi-war equipment. Fourth, there is off-shore purchasing, and then also there is the indirect stimulant from world tension, in the pre-occupation of other NATO countries with military defense item production, and thus lessening their competitive efforts in civilian items in export trade.

To what extent activity dependent on the continuation of world tension is vulnerable, is, of course, anybody's guess.

Lack of Capital Market

Another fly-in-the-ointment is constituted by the country's lack of a capital market, for financing by common stocks in lieu of bonds. The end of the road is in sight now for necessary capital financing through ploughing-back of profits. Not only is the need for capital holding back individual industries, but it is weakening the country's position in world markets.

The Convertibility Question

And what about convertibility? This is properly the topic of a separate two-hour talk, so I will only refer it to it briefly and superficially.

Germany is most anxious for convertibility and is now well on the way. But how soon, and whether Dr. Adenauer's recently reported statement from Hamburg, that "German currency will be put on a 100% gold and dollar basis by next August if the favorable economic development continues," was not premature, is surely open to question. Nearer the point may be Dr. Adenauer's previous chronic answer to the "convertibility—when?" question of "One hour after sterling." With Britain's reserve of gold and sterling now having reached the $3 billion level, and with the International Monetary Fund potentially available for some subsidy, and with mounting indications of the country's realization of convertibility's benefit for its own self-interest, the U.K.'s keynoting zero-hour may not be so far off.

* * *

Perhaps an apt key to the weighing of all the detailed factors about Germany's competitive progress and future, may be embodied in the following saying making the rounds in Western Europe: "The Germans go in for work but not austerity; the British for austerity but not hard work; the French for neither."

In any event, a fair conclusion about Germany's outlook might be that her trees will not reach the sky; but that barring war, she should be able to continue the reconstruction of a competitive economy able to stand on its own feet without foreign subsidy—and, barring war, meet her obligations in the foreseeable future.

Edward G. Webb Opens Firm in Lynchburg

(Special to The Financial Chronicle)

LYNCHBURG, Va.—Edward G. Webb is forming Edward G. Webb & Company to engage in a securities business. Mr. Webb has been associated with Scott, Horner & Mason, Inc. as Manager of their municipal department. Prior thereto he was with Merril Lynch, Pierce, Fenner & Beane.

Joins Lee Higginson

(Special to The Financial Chronicle)

BOSTON, Mass. — Lewis R. Paine is with Lee Higginson Corp., 50 Federal Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Air Express International Corp.
June 2 (letter of notification) 2,000 shares of common stock (par 50 cents) to be issued upon exercise of warrants. **Price** — 50 cents per share. **Proceeds** — To two selling stockholders. **Office** — 44 Whitehall St., New York, N. Y. **Underwriter**—None.

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

• American Cyanamid Co., New York
May 5 filed 580,235 shares of 3¾% cumulative preferred stock, series C (par $100—convertible prior to July 1, 1964) being offered for subscription by common stockholders of record June 1, 1954 at the rate of one preferred share for each 15 shares of common stock held; rights to expire June 17. **Price**—$100 per share. **Proceeds** — To increase working capital and for general corporate purposes. **Underwriter**—White, Weld & Co., New York.

American Transportation Insurance Co., Kansas City, Mo.
March 17 filed 20,000 shares of capital stock (par $100). **Price**—$150 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—None.

★ Apollo Oil & Uranium Co., Denver, Colo.
May 27 (letter of notification) 12,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining activities. **Office**—602 First National Bank Building, Denver, Colo. **Underwriters** — M. A. Cloek and J. Russell Tindell, both of Spokane, Wash.

• Artesian Water Co., Newport, Del.
May 12 (letter of notification) 5,467 shares of class A non-voting common stock being offered first to stockholders of record June 1 on the basis of one new share for each two shares held; rights to expire on June 30. **Price**—To stockholders, $18 per share; and to public, $20 per share. **Proceeds**—To improve and expand water distribution system. **Office**—501 Newport & Gap Pike, Newport, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Del.

★ Barium Steel Corp.
June 8 (letter of notification) 4,316 shares of common stock (par $1). **Price**—At market. **Proceeds**—To stockholders in lieu of fractional shares in connection with 2½% stock dividend paid on May 28, 1954. **Office** — 25 Broad St., New York 4, N. Y. **Underwriter**—May be Reich & Co., New York, N. Y.

Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

★ Beavertail Mining Corp., Skykomish, Wash.
May 27 (letter of notification) 4,700 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For mining expenses. **Address**—Box 172, Skykomish, Wash. **Underwriter**—Louis J. Stiles, Secretary-Treasurer, P. O. Box 197, Skykomish, Wash.

★ Buckeye Mines, Inc., Albuquerque, N. Mex.
May 28 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—709 Central Avenue, N. E., Albuquerque, N. Mex. **Underwriter**—None.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — To redeem two issues of $2.50 preferred stock (par $50), totaling 98,800 shares, and, together with proceeds from proposed issue of $8,000,000 of new first mortgage bonds, to redeem $8,000,000 3⅞% bonds presently outstanding. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

★ California-Utah Petroleum & Uranium Co.
May 28 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration costs. **Office**—c/o Frank Wells, Moab, Utah. **Underwriter**—None.

★ Carman & Co., Inc.
June 8 (letter of notification) 7,500 shares of common stock (par $2.50). **Price**—$7.25 per share. **Proceeds**—To a selling stockholder. **Office**—70 Summit St., Brooklyn 31, N. Y. **Underwriter**—Gammack & Co., New York.

★ Central City Uranium Co., Central City, Colo.
June 1 (letter of notification) 202,500 shares of common stock, of which 135,000 shares are to be offered publicly, each purchaser of two shares to receive one share as a bonus from personally owned stock of Van Robert McKay, Secretary, director and promoter. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

• Central Illinois Public Service Co. (6/15)
May 24 filed $5,000,000 of first mortgage bonds, series F, due June 1, 1984. **Proceeds**—To finance part of construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp.; The First Boston Corp. and Central Republic Co. Inc. (jointly). **Bids**— To be received up to 10:30 a.m. (CDT) on June 15 at 20 North Wacker Drive, Chicago 6, Ill.

• Central Maine Power Co.
May 20 filed 50,423 shares of 4.6% convertible preferred stock being offered for subscription by holders of outstanding common stock and 6% preferred stock on the basis of one new preferred share for each 50 shares of common stock held and one new share of preferred stock for each 10 shares of 6% preferred stock held on June 4; rights expire June 14. **Price** — At par ($100 per share). **Proceeds** — To reduce bank loans. **Underwriters**—Harriman Ripley & Co. Inc. and The First Boston Corp., both of New York; and Coffin & Burr, Inc., Boston, Mass.

Central Soya Co., Inc., Ft. Wayne, Ind. (6/16)
May 27 filed 99,000 shares of common stock (no par) to be offered for subscription by common stockholders of record June 15 on the basis of one new share for each ten shares held; rights to expire on June 29. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with $6,000,000 from long-term borrowings, to be used to pay for expansion, for working capital, and other general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

• Central Vermont Public Service Corp. (6/21)
May 28 filed $4,000,000 first mortgage bonds, series E, due June 1, 1984. **Proceeds**—To redeem $1,956,000 series I 3¾% bonds, and $797,000 series J 3¾% bonds, to repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; W. C. Langley & Co. and Hemphill, Noyes & Co. (jointly); Baxter, Williams & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 21.

★ Century Acceptance Corp. (6/14-18)
May 27 (letter of notification) 58,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—1334 Oak Street, Kansas City 6, Mo. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Charge-It Systems, Inc.
May 24 (letter of notification) 230,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and used to reduce current borrowings and to extend operations. **Office**—60 East 42nd St., New York, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc. and D. Gleich Co., both of New York City.

Cherokee Industries, Inc., Oklahoma City, Okla.
May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For construction, operating expenses and working capital. **Underwriter**—None.

★ Cherokee Uranium Mining Corp., Denver, Colo.
May 27 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration expenses. **Office**—438 Equitable Building, Denver, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Chicago, Aurora & Elgin Ry., Wheaton, Ill.
May 18 (letter of notification) 5,000 shares of common stock. **Price**—At market (estimated at $8.87½ per sh.). **Proceeds**—To Earl C. Nagels, President. **Underwriter**—Rodman & Renshaw, Chicago, Ill.

NEW ISSUE CALENDAR

June 11 (Friday)
Smith Investment Co. — Common
(Gardner F. Dalton & Co.) $97,500

June 14 (Monday)
Century Acceptance Corp. — Class A
(Paul C. Kimball & Co.) $290,000
Colotah Uranium Co., Inc. — Common
(J. W. Hicks & Co., Inc.) $300,000
Inter-Canadian Corp. — Common
(White, Weld & Co.) $2,500,000
Southern Utah Power Co. — Common
(Lester, Ryons & Co. and Smith, Polian & Co.) $170,755
Utah National Uranium Mining Corp. — Common
(Carroll, Kirchner & Jacquith, Inc. and Cromer Brokerage Co.) $299,900

June 15 (Tuesday)
Central Illinois Public Service Co. — Bonds
(Bids 10:30 a.m. CDT) $5,000,000
Connecticut Light & Power Co. — Common
(Offering to stockholders—no underwriting) $7,526,198
General Acceptance Corp. — Debentures
(Paine, Webber, Jackson & Curtis) $4,000,000
Hammond Organ Co. — Common
(A. G. Becker & Co. Inc. and Hornblower & Weeks) 114,954 shares
Jersey Central Power & Light Co. — Bonds
(Bids 11 a.m. EDT) $6,000,000
Lily-Tulip Cup Corp. — Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 88,000 shares

June 16 (Wednesday)
Central Soya Co., Inc. — Common
(Offering to stockholders—underwritten by Goldman, Sachs & Co.) 99,000 shares
Hoffman Radio Corp. — Common
(Blyth & Co., Inc. and William R. Staats & Co.) 130,000 shares

June 17 (Thursday)
Connecticut Light & Power Co. — Preferred
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $10,000,000
Nortex Oil & Gas Corp. — Common
(J. R. Williston & Co.) $299,898
Panhandle Eastern Pipe Line Co. — Debentures
(Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Carl M. Loeb, Rhoades & Co.) $35,000,000

June 18 (Friday)
United States Sulphur & Chemical Corp. — Common
(Vickers Brothers) $760,000

June 21 (Monday)
Central Vermont Public Service Corp. — Bonds
(Bids 11 a.m. EDT) $4,000,000
Continental Commercial Corp. — Preferred
(Van Alstyne, Noel & Co.) $800,000
Tennessee Gas Transmission Co. — Bonds
(Bids 11 a.m. EDT) $25,000,000
Transportation Development Corp. — Common
(L. H. Rothchild & Co.) $600,000

June 22 (Tuesday)
Gulf Power Co. — Bonds
(Bids 11 a.m. EDT) $10,000,000
Washington Gas Light Co. — Bonds
(Bids 11 a.m. EDT) $5,000,000

June 23 (Wednesday)
Duquesne Light Co. — Preferred
(Bids 11 a.m. EDT) $6,000,000
Pacific Gas & Electric Co. — Preferred
(Underwriter by amendment) $25,000,000

June 24 (Thursday)
Maine Public Service Co. — Preferred
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) $2,000,000

June 25 (Friday)
Merritt-Chapman & Scott Corp. — Common
(Offering to stockholders—no underwriting) about 285,027 shs.

June 28 (Monday)
Columbia Gas System, Inc. — Debentures
(Bids 11:30 a.m. EDT) $40,000,000
Telecomputing Corp. — Common
(Hill Richards & Co. and William R. Staats & Co.) 95,000 shs.
Western Plains Oil & Gas Co. — Common
(Irving J. Rice & Co.) $475,000

June 29 (Tuesday)
Duquesne Light Co. — Bonds
(Bids 11 a.m. EDT) $16,000,000
Fairchild Engine & Airplane Corp. — Common
(Merrill Lynch, Pierce, Fenner & Beane) 577,551 shares

June 30 (Wednesday)
Florida Power & Light Co. — Preferred
(Bids 11 a.m. EDT) $5,000,000
Florida Power & Light Co. — Common
(Bids 11 a.m. EDT) 245,000 shares

July 1 (Thursday)
Mesa Uranium Corp. — Common
(Tellier & Co.) $300,000
Williston Basin Oil Ventures, Inc. — Common
(Tellier & Co.) $50,000

July 6 (Tuesday)
Byrd Oil Corp. — Class A
(Dallas Rupe & Sons and Straus, Blosser & McDowell) 260,000 shares

July 12 (Monday)
United Gas Improvement Co. — Bonds
(Bids to be invited) $10,000,000

July 26 (Monday)
Boston Edison Co. — Bonds
(Bids to be invited) $18,000,000

August 24 (Tuesday)
Arkansas Power & Light Co. — Bonds
(Bids to be invited) $7,500,000

Childs Food Stores, Inc., Jacksonville, Tex.
April 26 (letter of notification) 5,000 shares of class A common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Underwriter**—Moroney, Beissner & Co., Houston, Tex., and Eppler, Guerin & Turner, Dallas, Tex.

★ **Cold Cash Credit Co., Phoenix, Ariz.**
June 1 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expenses incident to small loan business. **Office**—5342 No. 7th St., Phoenix, Ariz. **Underwriter**—None.

★ **Colotah Uranium Co., Inc., Hobbs, N. M. (6/14)**
May 27 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—107 N. Turner, Hobbs, N. Mex. **Underwriter**—J. W. Hicks & Co., Inc., Denver, Colo.

★ **Columbia Gas System, Inc. (6/28)**
June 7 filed $40,000,000 of sinking fund debentures, series D, due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on June 28.

• **Connecticut Light & Power Co. (6/15)**
May 25 filed 590,290 shares of common stock (no par—stated value $10.0625 per share), to be offered for subscription by commoin stockholders of record at 3 p.m. on June 1, 1954, in the ratio of one new share for each 10 shares held; rights will expire on June 30. **Price**—$12.75 per share. **Proceeds**—For construction program. **Underwriter**—None.

Connecticut Light & Power Co. (6/17)
May 26 filed 200,000 shares of cumulative preferred stock, series E (par $50). **Price** — To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consumers Power Co.
May 6 filed $25,000.000 of first mortgage bonds due 1984. **Price**—To be not less favorable to company than a 3⅛% basis. **Proceeds**—To redeem at 105.25% a like amount of outstanding 3¾% bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co., and Union Securities Corp. (jointly); Harriman Ripley & Co. and The First Boston Corp. (jointly). **Offering**—Postponed temporarily.

Continental Commercial Corp. (6/21-24)
June 1 filed 80,000 shares of 60-cent convertible preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Office** — Pittsburgh, Pa. **Underwriter** — Van Alstyne, Noel & Co., New York.

★ **Cooperators' Properties, Inc., Washington, D. C.**
May 27 (letter of notification) $28,000 of second trust real estate notes (in multiples of $50 each) and 63 shares of voting preferred stock (par $5). **Price**—At par. **Proceeds**—For replacement of notes, cash used to retire mortgage, real estate improvements, and working capital. **Office**—2621 Virginia Avenue, N. W., Washington 7, D. C. **Underwriter**—None.

Cornbelt Insurance Co., Freeport, Ill.
March 17 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For investment. **Underwriter**—None.

Decca Records, Inc., New York
May 10 filed 954,474 shares of capital stock (par 50 cents) being offered in exchange for Universal Pictures Co., Inc., common stock on the basis of 2¼ shares of Decca stock for each Universal share. Decca on May 1 owned 672,996 shares (66.2%) of Universal stock, with 344,338 shares in hands of approximately 1,783 other stockholders. Also there were warrants outstanding for the purchase of 79,873 shares of Universal stock at $10 per share held by others than Decca, and any Universal stock acquired upon exercise of such warrants may be tendered for exchange. Offer will expire on June 30. **Soliciting Agent**—Georgeson & Co., New York.

Duquesne Light Co. (6/23)
May 26 filed 120,000 shares of preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 23.

Duquesne Light Co. (6/29)
May 26 filed $16,000,000 of first mortgage bonds due July 1, 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 29.

★ **Duro-Test Corp.**
June 1 (letter of notification) not exceeding 6,500 shares of common stock (par $1) to be offered for subscription by employees. **Price**—$7.50 per share. **Proceeds**—To reimburse company for monies laid out by it in acquisition of shares on American Stock Exchange. **Office**—2321 Hudson Blvd., North Bergen, N. J. **Underwriter**—None.

★ **Enrico Roselli Accordion Co., Altadena, Calif.**
May 26 (letter of notification) 50,000 shares of preferred stock. **Price**—At par ($1 per share). **Proceeds**—To manufacture, import and sell accordions. **Office**—402 West Laun Street, Altadena, Calif. **Underwriter**—None.

★ **Fairchild Engine & Airplane Corp. (6/29)**
June 8 filed 577,551 shares of common stock (par $1) to be offered for subscription by common stockholders of record about June 29 on basis of one new share for each four shares held; rights to expire about July 14. **Price**—To be supplied by amendment. **Proceeds**—For additional facilities, machinery and equipment and general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Family Digest, Inc.
April 9 (letter of notification) 142,875 shares of class A stock. **Price**—At par ($1 per share). **Proceeds**—For operating capital and operating expenses. **Office**—421 Hudson St., New York 14, N. Y. **Underwriter**—Carl J. Bliedung, Washington. D. C.

★ **Federal Electric Products Co.**
June 3 (letter of notification) 40,000 shares of common stock, class B (par $1) to be offered for subscription by employees of the company. **Price**—$1.75 per share. **Proceeds**—For working capital. **Office**—50 Paris St., Newark, N. J. **Underwriter**—None.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

★ **Financial Management, Inc., Atlanta, Ga.**
June 1 (letter of notification) 230,000 shares of class A non-voting common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—434 Trust Co. of Georgia Bldg., Atlanta, Ga. **Underwriter**—None.

★ **Florida Power & Light Co. (6/30)**
June 8 filed 50,000 shares of cumulative preferred stock, series D (par $100) and 245,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; Union Securities Corp.; Glore, Forgan & Co. and Harriman Ripley & Co. (jointly). **Bids**—To be received up to 11 a.m.(EDT) on June 30.

Gamma Corp., Wilmington, Del.
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

• **General Acceptance Corp. (6/15)**
May 27 filed $4,000,000 convertible capital debentures due June 1, 1984 (subordinated to all other borrowed funds), with warrants to purchase 40,000 shares of common stock, to be offered in units of $1,000 of debentures and warrants to purchase 10 shares of stock. **Price**—$1,000 per unit. **Proceeds**—To redeem $175,000 of debentures, for expansion and reduction of short-term borrowings. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York.

General Credit Corp., Miami, Fla.
March 25 (letter of notification) 74,990 shares of capital stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—Murphy & Co.. Miami, Fla.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. Statement to be withdrawn.

General Telephone Co. of Kentucky
May 7 filed 46,000 shares of 5% cumulative preferred stock (par $50), of which 16,000 shares are being offered in exchange for the 8,000 shares of 5.2% cumulative preferred stock outstanding on the basis of two new shares, plus $4 per share in cash for each 5.2% share held. The exchange offer will expire on July 1. The remaining 30,000 shares of 5% preferred stock were offered publicly at par by Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. and associates. **Proceeds**—To retire 5.2% preferred stock, to repay bank loans and to pay notes due to the General Telephone Corp., its parent.

★ **Glens Falls Insurance Co. (N. Y.)**
May 28 (letter of notification) an unspecified number of shares of capital stock (par $5) to be offered to employees under Stock Purchase Plan. **Price**—At market (to an aggregate of not exceeding $300,000). **Office**—Glens Falls, N. Y. **Underwriter**—None.

Grant Building, Inc., Pittsburgh, Pa.
May 21 filed 22,069 shares of common stock (par $1) to be offered for subscription by common and class A common stockholders on basis of one share for each five shares of common or class A common stock held about June 10. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with other funds, to be used to retire $403,100 of collateral trust bonds bonds due 1957 at 100% and accrued interest. **Underwriter**—None.

Great Western Uranium Co., Denver, Colo.
May 10 (letter of notification) 2,000,000 shares of common stock (par 10¢). **Price**—15¢ per share. **Proceeds**—For mining expenses. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriter**—J. W. Hicks & Co., Denver, Colo.

Gulf Power Co. (6/22)
May 26 filed $10,000,000 of first mortgage bonds due 1984. **Proceeds**—To refund $6,593,000 of outstanding first mortgage 4⅛% bonds due 1983 and for repayment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on June 22 at 20 Pine St., New York, N. Y.

• **Gulf States Utilities Co.**
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed. Stockholders will vote June 11 on approving preferred stock financing.

• **Gulf States Utilities Co.**
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅝% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

• **Hammond Organ Co., Chicago, Ill. (6/15)**
May 24 filed 114,954 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters**—A. G. Becker & Co. Inc., Chicago, Ill., and Hornblower & Weeks, New York, N. Y.

Hilo Electric Light Co., Ltd., Hilo, Hawaii
May 10 filed 25,000 shares of common stock to be offered for subscription by stockholders of record June 5 on the basis of one share for each four shares held. Unsubscribed shares to be offered to employees. **Price** — At par ($20 per share). **Proceeds** — To repay bank loans and for additions and improvements. **Underwriter** — May be named by amendment.

Hoffman Radio Corp., Los Angeles, Calif. (6/16)
May 19 filed 130,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For new plant and equipment and working capital. **Underwriters**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.; and William R. Staats & Co., Los Angeles, Calif.

Inspiration Lead Co., Inc., Wallace, Idaho
May 4 (letter of notification) 2,000,000 shares of class B stock (with debenture warrants). **Price** — 15 cents per share. **Proceeds** — For mining development. **Office** — 106 King St., Wallace, Idaho. **Underwriter** — Mine Financing Inc., West 909 Sprague Ave., Spokane 10, Wash.

• **Inter-Canadian Corp., Chicago, Ill. (6/14-17)**
April 19 filed 100,000 shares of common stock (par $1). **Price**—$25 per share. **Proceeds**—For venture or semi-venture investment situations in Canada. **Underwriter**—White, Weld & Co., New York.

Jersey Central Power & Light Co. (6/15)
May 13 filed $6,000,000 first mortgage bonds due June 1, 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers. **Bids**—To be received up to 11 a.m. (EDT) on June 15 at 67 Broad St., c/o General Public Utilities Corp., New York, N. Y.

Jolly Jack Uranium Co., Salt Lake City, Utah
May 24 (letter of notification) 1,160,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds** — For mining expenses. **Office** — 620 Judge Bldg., Salt Lake City, Utah. **Underwriter** — Coombs & Co., Salt Lake City, Utah.

Kendon Electronics Co., Inc.
April 21 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—25 cents per share.

Continued on page 60

Continued from page 59

Proceeds—For working capital and general corporate purposes. **Office** — 18 Clinton Street, Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York, N. Y.

Las Vegas Continental Hotel, Inc.
May 17 filed 500,000 shares of preferred capital stock (par $9.90) and 500,000 shares of common capital stock (no par—10¢ stated value) to be offered in units of one preferred and one common share. **Price**—$10 per unit. **Proceeds**—To build and operate a luxury hotel and for working capital. **Office**—Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Lily-Tulip Cup Corp. (6/15)
May 25 filed 88,000 shares of common stock (no par) to be offered for subscription by stockholders of record June 15 on the basis of one new common share for each eight shares held; rights to expire June 29. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

★ **Maine Public Service Co. (6/24)**
June 1 filed 40,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $1,175,140 of 5½% preferred stock (par $20) and to reduce bank loans. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

★ **McIntosh Laboratory, Inc.**
June 3 (letter of notification) 6,000 shares of common stock and 24,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For research and development of new products and for working capital. **Business** — Manufactures and sells electronic and electric equipment. **Office**—320 Water St., Binghamton, N. Y. **Underwriter**—None.

★ **McMinnville Plywood Corp., Juneau, Alaska**
May 27 (letter of notification) 60 shares of common stock. **Price**—At par ($4,000 per share). **Proceeds**—For production and marketing of plywood. **Office** — Front and Seward Streets, Juneau, Alaska. **Underwriter**—None.

Mediterranean Petroleum Corp., Inc., Republic of Panama
March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploratory drilling and development, in State of Israel, and for operations and expenses. **Underwriter**—To be named by amendment.

★ **Merritt-Chapman & Scott Corp. (6/25)**
June 4 filed 286,027 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record June 25 on the basis of one new share for each five shares held (with an oversubscription privilege). Rights will expire on July 19. **Price**—To be supplied by amendment. **Proceeds** — To retire $4,050,000 of 4½% notes held by an insurance company and for further expansion. **Underwriter**—None.

Mesa Uranium Corp., Grand Junction, Colo. (7/1)
May 27 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—618 Rood Ave., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

Midland General Hospital, Inc., Bronx, N. Y.
May 17 filed 900 shares of common stock (no par). **Price**—$1,000 per share. **Proceeds**—To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. **Underwriter**—None.

Mission Indemnity Co., Pasadena, Calif.
March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Missouri Public Service Co.
April 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding first preferred stock ($3,475,000), to repay $750,000 bank loans and the balance for construction program. **Underwriter**—Kidder, Peabody & Co., New York. **Offering** — Postponed indefinitely.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

Mountain States Uranium, Inc.
May 18 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

Nash-Finch Co., Minneapolis, Minn.
May 24 (letter of notification) 1,000 shares of common stock (par $10). **Price**—At market (estimated at not to exceed $18.50 per share). **Proceeds** — To Willis King Nash, the selling stockholders. **Underwriter** — J. M. Dain & Co., of Minneapolis, Minn.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

New Mexico Copper Corp.
April 4 (letter of notification) 600,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Carrizozo, N. M., and 1211 E. Capital St., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

● **New Orleans Public Service Inc.**
May 19 (letter of notification) 7,127 shares of common stock (no par) being offered for subscription by minority common stockholders of record June 1 on basis of 0.135 share for each held; rights to expire on June 24. Of the total number of shares outstanding, 1,059,901 (or 95.255%) are owned by Middle South Utilities, Inc. who may subscribe for an additional 143,086 shares. **Price**—$25 per share. **Proceeds**—For property additions and improvements. **Office**—317 Baronne St., New Orleans, La. **Underwriter**—None.

● **Nortex Oil & Gas Corp. (6/17)**
May 14 (letter of notification) 99,966 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For payments to creditors, drilling and completion of well, and working capital. **Office** — Fidelity Union Life Bldg., Dallas, Tex. **Underwriter**—J. R. Williston & Co., New York.

North Pittsburgh Telephone Co.
April 23 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record May 1, 1954, on the basis of one new share for each five common shares held. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Office**—Gibsonia, Pa. **Underwriter**—None.

North Shore Music Theater, Inc., Boston, Mass.
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

Oklahoma Oil Co., Denver, Colo.
April 30 (letter of notification) 800,000 shares of common stock (par five cents) to be offered first to stockholders. **Price**—25 cents per share to stockholders; at market to public. **Proceeds**—To drill for oil and gas on 21 offset locations. **Office**—401 Zook Building, Denver 4, Colo. **Underwriter**—None.

★ **Olympic Uranium Co., Inc., Seattle, Wash.**
May 27 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (5 cents per share). **Proceeds**—For mining expenses. **Office**—1320 Main Street, Seattle, Wash. **Underwriter**—None.

★ **Pacific Gas & Electric Co. (6/23)**
June 2 filed 1,000,000 shares of redeemable first preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—To be named by amendment. Company has applied for exemption from competitive bidding.

Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None.

Pan-Israel Oil Co., Inc. of Republic of Panama
March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploratory drilling and development in State of Israel, and for operations and expenses. **Underwriter**—To be named by amendment.

Panhandle Eastern Pipe Line Co. (6/17)
May 28 filed $35,000,000 of debentures due 1974. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Carl M. Loeb, Rhoades & Co.

★ **Petala Mining Corp., Santa Fe, N. M.**
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● **Philadelphia Electric Co.**
May 19 filed 944,952 shares of common stock (no par) being offered for subscription by common stockholders of record June 7 at the rate of one new share for each 12 shares held; rights to subscribe on June 28. **Price**—$34 per share. **Proceeds** — For construction program. **Underwriter**—None. Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, will act as Dealer-Managers.

Pittsburgh Athletic Co., Inc. (6/11)
May 27 (letter of notification) $300,000 of 4½% convertible debentures due Dec. 31, 1961 to be offered first for subscription by stockholders. **Price**—100% of principal amount. **Proceeds**—For working capital. **Office**—3940 Sennott St., Pittsburgh 13, Pa. **Underwriter**—None.

Porta Co., Inc., Chestnut Hill, Mass.
April 8 (letter of notification) 640 shares of $6 cumulative preferred stock (no par) and 640 shares of common stock (no par) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds**—For manufacture of sporting goods. **Office** — 48 Moody St., Chestnut Hill, Mass. **Underwriter** — Minot Kendall & Co., Inc., Boston, Mass.

Product Development Corp.
May 4 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital in the acquisition, manufacturing and distribution of products. **Office**—1511 Fox Building, 16th and Market Streets, Philadelphia, Pa. **Underwriter**—A. J. Grayson, New York.

★ **Public Service Co. of Indiana, Inc.**
June 9 filed 600,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding 600,000 shares of 4.90% cumulative preferred stock. **Underwriter**—To be named by amendment. Blyth & Co., Inc., San Francisco and New York, handled previous preferred stock financing.

Pumice, Inc., Idaho Falls, Idaho
March 29 (letter of notification) 1,170,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To complete plant, repay obligations and for working capital. **Office** — 1820 N. Yellowstone, Idaho Falls, Idaho. **Underwriter** — Coombs & Co., Salt Lake City, Utah.

Rio Grande Investment Co., Longmont, Colo.
April 19 (letter of notification) 1,150 shares of common stock (no par) and 1,150 shares of 6% cumulative participating preferred stock (par $100) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds** — For operating expenses and to make loans. **Business**—Finance company. **Address**—P. O. Box 194, Longmont, Colo. **Underwriter**—William E. Conly, Jr., Longmont, Colo.

★ **Roma Investment Corp., Washington, D. C.**
June 2 (letter of notification) $50,000 of 8% promissory notes, payable on demand. **Price**—At par (in denominations of $5 to $5,000). **Proceeds**—To purchase and invest in deed of trust notes secured by real estate. **Office**—4041 Alabama Ave., S.E., Washington, D. C. **Underwriter**—None.

Smith-Dieterich Corp.
May 27 (letter of notification)) 1,775 shares of common stock. **Price**—At par ($2.50 per share). **Proceeds**—To P. Stanley Smith, the selling stockholder. **Office**—50 Church St., New York, N. Y. **Underwriter**—Cooke and Lucas, New York City.

★ **Smith Investment Co., Milwaukee, Wis. (6/11)**
May 26 (letter of notification) 15 shares of common stock (par $10). **Price**—$6,500 per share. **Proceeds**—To Estate of Lloyd R. Smith, deceased. **Underwriter**—Gardner F. Dalton & Co., Milwaukee, Wis.

● **Southern Nevada Power Co.**
May 17 filed 217,520 shares of common stock (par $5), of which 50,000 shares are to be sold for account of company and 167,520 shares for account of certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For construction program. **Office**—Las Vegas, Nev. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; Hornblower & Weeks, New York, and First California Co., Inc., San Francisco, Calif. **Offering**—Expected today (June 10).

Southern States Chemical Co., Atlanta, Ga.
May 24 (letter of notification) 2,565 shares of common stock (par $10) to be offered for subscription by stockholders of record May 31, 1954 on the basis of one share for each eight shares held (with an oversubscription privilege); rights to expire on June 21. **Price**—$15 per share. **Proceeds**—For working capital. **Office**—1061 W. Marietta St., N. W., Atlanta, Ga. **Underwriter**—None.

★ **Southern Utah Power Co. (6/14)**
May 26 (letter of notification) 13,135 shares of common stock (par $10) to be offered to common stockholders of record about June 11 at rate of one new share for each six shares held. **Price**—$13 per share. **Proceeds**—To repay bank loans. **Underwriters**—Lester, Ryons & Co., Los Angeles, Calif., and Smith, Polian & Co., Omaha, Nebraska.

Spokane Seed Co., Spokane, Wash.
March 8 filed $600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. **Price**—100% of principal amount. **Proceeds**—To improve facilities and for working capital. **Underwriter**—None.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents being offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. Offer expires Oct. 31. **Underwriter**—None. **Office**—Salt Lake City, Utah. Statement effective March 30.

Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

★ **Tally Register Corp., Seattle, Wash.**
May 28 (letter of notification) 40,000 shares of 5% noncumulative convertible preferred stock (par $4) to be exchanged for promissory notes at par; and 10,000 shares of common stock to be offered at par ($1 per share). **Proceeds**—For working capital. **Office**—5300 14th Ave., N.W., Seattle, Wash. **Underwriter**—None.

Tape Recording Corp., N. Y.
May 27 (letter of notification) 15,000 shares of non-cumulative preferred stock to be first offered for subscription by common stockholders on the basis of one preferred share for each four common shares held; rights to expire on July 1, 1954. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—201 East 42nd St., New York 17, N. Y. **Underwriter**—None.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ **Telecomputing Corp., Burbank, Calif. (6/28)**
June 7 filed 95,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For manufacture of "Point O'Sale Recorders" and for further development and production of other units in company's automatic business controls program. **Underwriters**—Hill Richards & Co. and William R. Staats & Co., both of Los Angeles, Calif.

Tennessee Gas Transmission Co. (6/21)
May 26 filed $25,000,000 first mortgage pipeline bonds due 1974. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids** — Tentatively expected to be received up to 11 a.m. (EDT) on June 21.

★ **Texas Instruments, Inc., Dallas, Tex.**
May 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (aggregate not to total over $300,000). **Proceeds**—To four selling stockholders. **Office**—6000 Lemmon Avenue, Dallas, Texas. **Underwriter**—Schneider, Bernet & Hickman, Dallas, Texas.

Three-In-One Gold Mines Corp., Reno, Nev.
May 3 (letter of notification) 1,993,333½ shares of capital stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev.

● **Transportation Development Corp. (6/21)**
April 26 filed 100,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To finance the costs of obtaining contracts for the construction of the company's transportation system, for working capital and for other general corporate purposes. **Underwriters**—L. H. Rothchild & Co., New York.

Trican Petro-Chemical Corp., Montreal, Canada.
April 30 filed 500,000 shares of common stock (par $1). **Price** — To be related to the market price at time of offering. **Proceeds**—For development costs and general corporate purposes. **Underwriter** — To be named by amendment.

★ **Twentieth Century Foods Corp., Springfield, Mo.**
June 2 (letter of notification) 120,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To retire RFC loan and for working capital. **Office**—303 East Olive St., Springfield, Mo. **Underwriter**—White & Co., St. Louis, Mo.

● **United States Sulphur & Chemical Corp., Carson City, Nev. (6/18)**
April 30 filed 380,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — For acquisitions, exploration and development expenses, and for working capital. **Underwriter**—Vickers Brothers, New York.

● **United Utilities, Inc.**
May 19 filed 213,261 shares of common stock (par $10) being offered for subscription by common stockholders of record June 8 on the basis of one new share for each six shares held; rights to expire on June 22. **Price**—$17.50 per share. **Proceeds**—To repay bank loans incurred for construction requirements of subsidiaries and remainder to be advanced or invested in subsidiaries. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Utah National Uranium Mining Corp. (6/14)**
May 27 (letter of notification) 1,199,600 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — 402 Boston Building, Salt Lake City, Utah. **Underwriters** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo., and Cromer Brokerage Co., Salt Lake City, Utah.

★ **Verdi Development Co., Carson City, Nev.**
May 27 (letter of notification) 597,334 shares of capital stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For mining expenses. **Office** — Virginia & Truckee Building, Carson City, Nev. **Underwriter**—None.

★ **Waldemar Press, Inc., Indianapolis, Ind.**
May 27 (letter of notification) 2,000 shares of 5% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For new equipment, expansion and working capital. **Office**—3334 Sutherland Avenue, Indianapolis 18, Ind. **Underwriter**—None.

May 27 (letter of notification) 2,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — To Howard W. Sams, President, the selling stockholder. **Underwriter**—None.

Washington Gas Light Co. (6/22)
May 26 filed $5,000,000 of refunding mortgage bonds due 1979. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., and Union Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 22 at company's office in Washington, D. C.

● **Webb & Knapp, Inc., New York**
April 14 filed $8,607,600 of 5% sinking fund debentures due June 1, 1974, being offered together with certain cash by the company in exchange for outstanding common stock of Equitable Office Building Corp. on basis of $5 in cash and $7 principal amount of debentures for each share of Equitable stock. Exchange offer, which was declared effective on June 7, has been extended to expire on June 18. **Underwriter**—None. Statement effective May 5.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering—Postponed** indefinitely.

West Ohio Gas Co., Lima, Ohio
May 10 (letter of notification) 22,386 shares of common stock (par $5), to be offered to common stockholders of record May 15 in the ratio of one new share for each 15 shares held. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office** — 319 West Market St., Lima, Ohio. **Underwriter**—None.

● **Western Plains Oil & Gas Co. (6/28)**
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Williston Basin Oil Ventures, Inc. (7/1)
May 20 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration costs. **Office** — 420 Fidelity Bank Bldg., Oklahoma City, Okla. **Underwriter**—Tellier & Co., Jersey City, N. J.

★ **Wisconsin Southern Gas Co., Inc.**
May 27 (letter of notification) 12,618 shares of common stock (par $10) to be offered to common stockholders of record June 1, 1954, on the basis of one new share for each five shares held. **Price**—$11 per share. **Proceeds**—To redeem collateral trust bonds. **Office**—235 Broad Street, Lake Geneva, Wis. **Underwriter**—None.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
April 29 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development of oil and gas properties. **Underwriter**—None.

Wyton Oil & Gas Corp., Newcastle, Wyo.
April 20 filed 1,000,000 shares of common stock (par $1). **Price**—$1.12½ per share. **Proceeds**—For general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash., on a "best efforts basis."

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

● **Arkansas Power & Light Co. (8/24)**
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected about Aug. 24.

Boston Edison Co. (7/26)
May 24 company sought permission of Massachusetts Department of Public Utilities to issue and sell $18,000,000 of first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co., Harriman Ripley & Co. Inc. **Bids**—Tentatively expected on July 26. Stockholders will vote on June 30 on approving bonds issue.

● **Bullard Co.**
May 28 it was announced company plans to offer to its common stockholders about 100,000 additional shares of common stock. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; and Hornblower & Weeks.

★ **Byrd Oil Corp., Dallas, Tex. (7/6-9)**
June 3 it was reported company expects to offer to its common stockholders an issue of 260,000 shares of 6% convertible class A stock (par $7.50) on a basis of one class A share for each two common shares held. **Price**—$8.10 per share to stockholders; $9 per share to public. **Proceeds**—To drill about 21 new wells, to pay indebtedness and for working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; and Straus, Blosser & McDowell, Chicago, Ill. (latter handling books).

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ **Chicago, Burlington & Quincy RR.**
June 5 the company applied to the Interstate Commerce Commission for authority to issue $7,350,000 equipment trust certificates to be dated July 1, 1954, and mature semi-annually to and including July 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

City Title Insurance Co., N. Y. C.
May 20, it was announced that company is planning to issue and sell not to exceed $1,000,000 of new preferred stock. **Proceeds**—For working capital. **Underwriter**—Chilson, Newberry & Co., Inc., Kingston, N. Y.

★ **Colorado Interstate Gas Co.**
June 8 it was announced stockholders will vote **July 8** on increasing the authorized preferred stock from 200,000 shares to 500,000 shares (par $100). It is reported that company has announced plans to market some $[illegible],000,000 of preferred stock and $30,000,000 of new **bonds**, which are likely to go into registration within the next fortnight. **Underwriter**—If through negotiation, may be Union Securities Corp., New York.

Colorado-Western Pipeline Co.
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

★ **Columbia Gas System, Inc.**
March 5 it was announced company plans to issue and sell later this year $40,000,000 additional senior debentures (in addition to $40,000,000 debentures due 1979 for which bids are expected to be received on June 28—see a preceding column under "Securities Now in Registration"). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Consolidated Gas Electric Light & Power Co. of Baltimore
May 26 it was reported company plans, following settlement of rate case, to issue and sell from $15,000,000 to $25,000,000 of new securities. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Harriman, Ripley & Co. Inc. and Alex. Brown & Sons (jointly).

Cott Beverage Corp.
May 5 it was reported 160,000 shares of common stock are to be publicly offered—100,000 shares for account of company and 60,000 shares for selling stockholders. **Price**—In neighborhood of $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ira Haupt & Co., New York. **Registration**—Expected in June, 1954.

Eastern Utilities Associates
April 30 trustees authorized issuance of additional common stock (par $10) to present stockholders on a basis not greater than one new share for each 12 shares held. **Proceeds**—To pay off $2,000,000 of bank loans. **Offering**—Expected not later than Oct. 1, 1954; probably early this summer.

First National Bank of Toms River, N. J.
May 14 stockholders of record May 1, 1954 were given the right to subscribe for an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

● **First Trust & Deposit Co., Syracuse, N. Y.**
June 2 it was announced company is offering to its common and class B preferred stockholders of record **June 1** the right to subscribe on or before June 22 for 254,316 shares of new 5% convertible preferred stock on the basis of one share for each 10 shares of common or class B preferred stock held. **Price**—At par ($20 per share). **Proceeds**—From this sale, together with proceeds from private sale of $5,000,000 5% debentures, to retire $8,996,400 of class A preferred stock held by Reconstruction Finance Corporation. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

Florida Power Corp.
March 27, it was announced that the company plans new financing late this summer which would require issuance of common stock and probably $10,000,000 of bonds. **Proceeds** — For new construction. **Underwriters** — For common stock (first to common stockholders), Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kidder,

Continued on page 62

Continued from page 61

Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock was increased by stockholders on March 25 from 2,500,000 shares to 5,000,000 shares, and the preferred stock from 250,000 shares to 500,000 shares.

Hercules Cement Corp.
May 20 it was announced company plans early registration of 40,000 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Proceeds**—For expansion and modernization. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting**—Stockholders on April 27 aprpoved new financing.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith Barney & Co.

Long Island Lighting Co.
May 21 company announced plans to offer rights to common stockholders early in July to subscribe to 690,062 new common shares on a one-for-eight basis. **Proceeds** —For new construction. **Underwriters**—Blyth & Co. Inc., The First Boston Corp. and W. C. Langley & Co. (jointly). **Registration**—Expected about June 16.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

★ Minneapolis, St. Paul & Sault Ste. Marie RR.
June 8 company applied to the ICC for authority to issue and sell $1,950,000 equipment trust certificates to be dated Aug. 1, 1954, and to mature in 30 equal semi-annual installments to and including Aug. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Montana-Dakota Utilities Co.
March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

National Fuel Gas Co.
April 1 it was reported company plans to offer about 400,000 shares of capital stock (no par) for subscription by stockholders later this year or early next year. Stockholders on April 29 approved a proposal to increase the authorized capital stock from 4,000,000 to 6,000,000 shares. **Proceeds**—For new construction. **Underwriter**—Dillon, Read & Co., New York, handled secondary offering in 1943.

New England Electric System
April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,108,824 common shares. **Proceeds** — For construction program of subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York, New Haven & Hartford RR.
May 26 it was reported company will offer and sell $6,600,000 equipment trust certificates due Jan. 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

Pacific Power & Light Co.
May 25 it was reported company may issue and sell about $30,000,000 of new bonds later this year. **Proceeds** —To refund all outstanding Mountain States Power Co. (merged with Pacific Power & Light Co. debt and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly).

Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb, Rhoades & Co. of New York.

Peoples Gas Light & Coke Co.
May 10 it was reported company plans the sale of $40,000,000 first and refunding mortgage bonds. **Proceeds**—To refund series F and series H bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. **Offering**—Expected in July or August, 1954.

Public Service Co. of Colorado
April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Co. of New Hampshire
May 7 preferred stockholders approved a proposal to increase the authorized preferred stock from 160,000 shares to 300,000 shares, of which it is planned to issue not in excess of 75,000 shares. **Proceeds**—To refund outstanding 50,000 shares of 5.40% preferred stock and for new construction. **Underwriter**—If through competitive bidding, bidders may include Kidder, Peabody & Co. and Blyth & Co., Inc. (who made the only bid in June, 1952, for the 5.40% issue, which was rejected); R. W. Pressprich & Co. and Spencer Trask & Co. (who were awarded that issue in July, 1952, on a negotiated basis.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

Rockland Light & Power Co.
April 1, Rockwell C. Tenney, Chairman of the Board, announced that the 1954 construction program, estimated at $14,000,000, will require further financing. Common stock financing to stockholders in 1953 was underwritten by Merrill Lynch, Pierce, Fenner & Beane. An issue of $8,000,000 bonds were also sold last year at competitive bidding, with the following making bids: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; Stone & Webster Securities Corp.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

St. Joseph Light & Power Co.
March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Seattle Trust & Savings Bank (Wash.)
May 26 it was announced stockholders will vote in June on a proposal to approving the issuance and sale to stockholders of 2,000 additional shares of capital stock in the ratio of one new share for each nine shares held.

Southern Colorado Power Co.
May 14 stockholders were to approve a proposal to create an issue of 50,000 shares of preferred stock (par $50) and to increase the authorized common stock from 1,000,000 shares to 1,200,000 shares. It is planned to raise about $3,500,000 through issuance and sale of new securities. **Underwriters**—May be Hutchinson & Co., Pueblo, Colo.; and Boettcher & Co. and Bosworth, Sullivan & Co., both of Denver, Colo.; who underwrote common stock offering to stockholders in 1948; subsequent common stock financing was not underwritten.

Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwiters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

● Texas International Sulphur Co.
June 8 it was announced company plans soon to file a registration statement with the SEC to cover an offering of common stock to finance a sulphur exploration and development program on the Isthmus of Tehuantepec in Mexico. **Underwriter**—Previous financing was handled by Vickers Brothers, New York City.

Trans-Canada Pipe Lines, Ltd.
March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

Ultrasonic Corp.
May 17 it was reported company plans to offer some new securities to provide working capital. Details not yet available.

United Gas Improvement Co. (7/12-16)
May 11 it was reported company may issue and sell $10,000,000 of first mortgage bonds due 1979. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Morgan, Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Blair, Rollins & Co. Inc. **Registration**—Expected about June 15 to June 18. **Bids**—Tentatively set for week of July 12.

● Western Pacific RR. Co.
March 10 company applied to the ICC for exemption from competitive bidding on its proposed $22,500,000 debenture issue. The 30-year 5% income securities, would be offered in exchange for 225,000 of $100 par preferred stock, of the more than 300,000 shares outstanding. The company plans to offer $100 of debentures, one-fifth of a share of common. and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,911 shares of preferred stock This proposed recapitalization has been delayed.

★ Western Pacific RR. Co.
June 4 it was announced stockholders will vote June 30 on approving a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

The new issue market had its first really encouraging developments in more than a month this week when Aluminum Co. of America's big issue of debentures turned out pretty much made to order for investors.

Naturally those who have steadfastly opposed the competitive bidding as the basis for the sale of new securities, were quick to note that this successful operation was carried through by negotiation.

Here bankers had an opportunity to "feel out" their market and appraise the issuer of what terms it would require to assure a really successful financing operation. That their ideas were right is attested to by the manner in which investors placed their orders.

The $100,000,000 of new 25-year debentures carried a 3% coupon and a similar yield since they were priced at par. But in addition, they carry a sinking fund, starting in 1956, sufficient to retire at least 95% of the total prior to maturity at 100. They are callable at prices ranging from 103 on a scale-down to par after June 1, 1976.

Although it could not be termed a completely "out-the-window" deal, the heavy demand for this issue had the effect, apparently of consolidating the general market by generating real interest in several big offerings which had been lagging since subscription books opened several weeks ago.

Stirring of Interest

Interest spilled over into some of the recent laggards among new issues, particularly Public Service Electric & Gas 3¼s and Pacific Gas & Electric's 3⅛s.

In the case of the "Pegs," so-called, the buying was sufficient to bring about a complete clean-up of this $50,000,000 undertaking. One large insurance company and several smaller units started the ball rolling and soon demand spread out with the issue going to a half point premium.

Again, it was indicated that inroads were being made, finally, into Pacific Gas' $65,000,000 of first and refunding bonds. One large state pension fund was reported to have opened things up here with its order for a block of $5,000,000.

Forward Calendar Light

Next week's corporate calendar again is light but underwriters and distributors are not kicking on that score. Quite to the contrary, this condition should prove helpful in that it limits the supply of new material available and turns attention to issues now resting on shelves or in loan envelopes.

The new week will bring a handful of small issues for competitive bids and a smattering of limited sized negotiated offerings.

But the next sizable piece of business ahead is Panhandle Eastern Pipe Lines' $35,000,000 of debentures now tentatively scheduled for June 17.

Turning the Tide

The resurgence of the new issue market could bring about early revival of some of the financing which was placed on the back of the stove as a result of recent glutting.

Consumers Power Co., a week ago, decided to postpone indefinitely the sale of its $25,000,000 bonds which had been on tap for bids for June 3. And Gulf States Utilities Co., which has postponed $24,000,000 of bonds and $16,000,000 of preferred stock set for bidding on June 15 might be inclined to consider a new date for the sale.

Meantime, Colorado Interstate Gas Co. has announced plans to market some $30,000,000 of new bonds and $11,000,000 of preferred stock which likely will go into registration in the next fortnight.

Fred E. Adams, Jr. Now With Swift, Henke Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Fred E. Adams, Jr. has become associated with Swift, Henke & Co., 135 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Hornblower & Weeks in the trading department.

Wm. F. Weed With First of Mich. Corp.

(Special to The Financial Chronicle)

DETROIT, Mich. — William F. Weed has become associated with First of Michigan Corp., Buhl Building, members of the Detroit and Midwest Stock Exchanges. He was formerly with Campbell, McCarty & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Robert H. Huff With R. E. Evans & Co.

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Robert H. Huff has become associated with R. E. Evans & Co., 1023 Second Avenue. Mr. Huff was formerly with the trading department of J. R. Williston, Bruce & Co. and was an officer of Conrad, Bruce & Co. and a partner in Morgan & Co.

With J. H. Goddard Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Eugene C. Shea has become connected with J. H. Goddard & Co. Inc., 85 Devonshire Street, members of the Boston Stock Exchange. Mr. Shea was previously with Draper, Sears & Co. and Chas. A. Day & Co.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Walter J. Sears has been added to the staff of Investors Planning Corp. of New England, Inc., 68 Devonshire Street. He was previously with E. E. Mathews Co.

Forms Mathews & Co.

(Special to The Financial Chronicle)

SAN MARINO, Calif.—Willis E. Mathews is conducting a securities business from offices at 2486 Huntington Drive, under the firm name of Mathews & Co. Mr. Mathews was formerly with Dean Witter & Co.

New Oppenheimer Branch

KEY WEST, Fla.—Oppenheimer & Co., members of the New York Stock Exchange, have opened a branch office at 613½ Duval Street, under the management of Jacob M. Elias.

Edwards & Hanly Branch

HUNTINGTON, N. Y.—Edwards & Hanly, members of the New York Stock Exchange, have opened a branch office at 8 Elm Street under the direction of Stephen T. Monahan.

McCarthy Opens Office

(Special to The Financial Chronicle)

MIAMI, Fla.—Griffin McCarthy is engaging in a securities business from offices at 4530 Sabal Palm Road. He was formerly with Atwill & Co.

Business Man's Bookshelf

Currency Convertibility — Gottfried Haberler — American Enterprise Association, Inc., 1012 Fourteenth Street, N. W., Washington 5, D. C. (paper), $1.00.

East-West Trade — Citizens Conference for International Economic Union, 345 East 46th St., New York 17, N.Y. (paper), 25¢.

Foreign Exchange Regulations in Great Britain: 9th Supplement —Bank for International Settlements, Basle, Switzerland—6.50 Swiss francs (complete compilation, original publication with nine supplements 80.0 Swiss francs).

Foreign Exchange Regulations in Belgium and the Grand Duchy of Luxembourg — 5th Supplement — Bank for International Settlements, Basle, Switzerland.

Industrial Pensions — Charles L. Dearing—The Brookings Institution, Washington 6, D. C. (paper).

Intelligent Investor, The (New Revised Edition) — Benjamin Graham — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.50.

Schedule of Par Values—International Monetary Fund, Washington, D. C. (paper).

Wonderful Writing Machine, The — Bruce Bliven, Jr. — Random House, New York, N. Y. (cloth), $3.95.

George R. Harris Opens in Denver

(Special to The Financial Chronicle)

DENVER, Colo. — George R. Harris has opened offices in the First National Bank Building to engage in a securities business. Mr. Harris was formerly corporate manager for the local office of Cruttenden & Co. and prior thereto was a partner in Gray B. Gray & Co.

With Victor J. Lawson

(Special to The Financial Chronicle)

CORAL GABLES, Fla. — Mrs. Virginia A. Glenn has joined the staff of Victor J. Lawson & Co., First National Bank Building.

Daniel Reeves Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Martin S. Locke has become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

With Walker & Lee

(Special to The Financial Chronicle)

LONG BEACH, Calif.—William T. Cheney is now with Walker & Lee, Inc., 4100 Bellflower Boulevard.

With Bache & Co.

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Raymond J. Schneider has been added to the staff of Bache & Co., 30 East Broad Street.

With Gallagher-Roach

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Jack D. Griffith has become associated with Gallagher-Roach and Company, 1683 West Lane Avenue. He was formerly with Merrill, Turben & Co. and Vercoe & Co.

DIVIDEND NOTICES

THE COLUMBIA GAS SYSTEM, INC.

The Board of Directors has declared this day the following quarterly dividend:

Common Stock
No. 80, 20¢ per share

payable on August 14, 1954, to holders of record at close of business July 20, 1954.

DALE PARKER
Secretary

June 3, 1954

New York & Honduras Rosario Mining Company
120 Broadway, New York 5, N. Y.

June 9, 1954.

DIVIDEND No. 407

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the second quarter of 1954, of One Dollar ($1.00) a share on the outstanding capital stock of this Company, payable on June 26, 1954, to stockholders of record at the close of business on June 17, 1954.

W. C. LANGLEY, Treasurer.

THE ELECTRIC STORAGE BATTERY COMPANY

215th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1954, to stockholders of record at the close of business on June 14, 1954. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia, June 4, 1954

AMERICAN ENKA CORPORATION

DIVIDEND

The Board of Directors has declared a regular quarterly dividend on the common stock of 40c per share, payable June 26, 1954 to stockholders of record at the close of business June 15, 1954.

GORDON V. HAGER,
Treasurer

June 4, 1954

ENKA RAYON TEXTILE and TIRE YARNS

BENEFICIAL LOAN CORPORATION
DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

CUMULATIVE PREFERRED STOCK
$3.25 Dividend Series of 1946
$.81¼ per share
(for quarterly period ending June 30, 1954)

COMMON STOCK
Quarterly Dividend of $.60 per share

The dividends are payable June 30, 1954 to stockholders of record at close of business June 15, 1954.

William E. Thompson
Secretary

June 2, 1954

OVER 800 OFFICES — Beneficial Loan System — IN U. S. AND CANADA

DIVIDEND NOTICES

THE PIERCE GOVERNOR COMPANY, INC.

Our directors met last Thursday, May 27th, at which time a quarterly dividend of thirty (30) cents per share was declared payable June 25th to our stockholders as of the close of business on June 15th.

M. W. FLEECE,
Executive Vice-President

MRS WAGNER'S PIES

WAGNER BAKING CORPORATION

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, also a dividend of 5 cents per share on the Common Stock of this Corporation. Both dividends payable July 1, 1954, to stockholders of record June 18, 1954.

J. V. STEVENS, Secretary.

INTERNATIONAL SHOE COMPANY
ISCO
St. Louis

173RD CONSECUTIVE DIVIDEND
Common Stock

A quarterly dividend of 60¢ per share payable on July 1, 1954 to stockholders of record at the close of business June 15, 1954, was declared by the Board of Directors.

ANDREW W. JOHNSON
Vice-President and Treasurer

June 1, 1954

GT GENERAL TIME

GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

The regular quarterly dividend of $1.06¼ on the 4¼ per cent cumulative preferred stock, payable July 1, 1954 to shareholders of record June 18, 1954.

COMMON STOCK

A dividend of 50 cents per share payable July 1, 1954 to shareholders of record June 18, 1954.

JOHN H. SCHMIDT
Secretary-Treasurer

June 2, 1954.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One peculiar characteristic of the most serious and intense dispute going on among officialdom over the question of U. S. military intervention in Indo-China is the fact that this argument is largely devoted sincerely to the merits of the controversy and is relatively free of politics.

When Mr. Truman determined upon war in Korea he thereby laid himself open to many criticisms, for he brought the war on as a fact and in effect resolved the controversy singlehandedly.

Mr. Eisenhower, on the other hand, by refraining from Executive action alone, and by consulting with Congress frequently on this issue, has tended to make possible a behind-the-scenes discussion of the matter.

There appear to be two entirely irreconcilable points of view in this Capital.

The first of these is that some time the Reds must be stopped some where. The time is now and the place is Indo-China, for this is the key to Southeast Asia and its storehouse of materials, and a market for Japanese goods and source of raw materials for Japan. If Indo-China is lost, the way is opened to the loss of the Western World's position eventually in just about all Asia.

The above is, roughly, the dominant viewpoint of the military men. They have long been anxious to get at the enemy, and many weeks ago eagerly were hoping they would receive the orders to move.

This probably also was, at least until recently, the viewpoint of President Eisenhower. Capitol Hill believes that the President was definitely determined to ask Congressional permission for U. S. intervention a few weeks ago, a few weeks after Vice-President Nixon told the newspaper editors that the U. S. should stop the Reds in Indo-China, alone if necessary. However, it is said, Congressional sentiment persuaded the President to drop the project at that time.

The persuasion which brought about this suspension of the proposal for war was bipartisan.

Say Is Not the Place

This is not the place, according to the irreconcilable viewpoint, to stage the show-down with the Reds. In the jungles of Indo-China the mechanization of American military might is at its greatest disadvantage and hence that is the poorest place the U. S. could choose in which to attempt with its own forces to stage a show-down with the Reds. Just parenthetically, the idea that the show-down could be accomplished by air and sea power, without sending U. S. ground forces, is entirely discounted by the opponents of war in Indo-China.

According to this viewpoint, Indo-China would be an enormous sink-hole into which U. S. military might would become mired. In any case Indo-China as another "fringe war," avoiding the use of Soviet forces, provides an ideal Red objective whereby U. S. military power can be dissipated and the resources, material, military, economic, and financial, of the U. S. can be wasted without reaching a military decision, whilst Soviet military power rests for the inevitable final show-down.

Conditions Intervention

As a general rule IF a President is convinced of the need for military intervention, and if President Eisenhower in particular actually WERE so convinced of the need with respect to Indo-China, it is difficult to keep a President from having his way.

On the other hand, President Eisenhower has laid down two conditions which, if sustained, raise doubts as to the certainty of intervention.

One of these conditions is that France must give a clear-cut promise of the complete independence of Viet Nam, Laos, and Cambodia.

Another is that the action must be either "united" or "collective." Mr. Dulles, however, has excluded from the invitation Chiang's government on Formosa and the Korean Republic, the two forces probably willing to reach a decision to fight.

Thus, the long-run hope for avoiding intervention in the foreseeable future may be the real prospect that the principal countries with whom the United States would like to "unite" instead will abandon the battlefield to the enemy before the United States could actually intervene.

Congress May Not Stop

President Eisenhower has attached a further condition to intervention, which is that Congress must approve it. This condition, however, appears to be qualified. If the President were to propose that the United States alone, or, without a formal collective agreement of some kind under the aegis of NATO or the UN, were to intervene in Indo-China, it would appear that he does not intend to do so without first getting Congressional approval.

On the other hand, both the President and Secretary Dulles have from time to time in the past issued statements which suggested that, were intervention part of a joint action in pursuance of a treaty, they believed the United States was not bound to get advance Congressional approval of a specific act under such a treaty or agreement. This point of view was underscored in the Administration's objections which resulted in the defeat of the Bricker amendment.

Seek No New Funds Without Intervention

It may be stated categorically that unless and until some new change in the international situation develops, the Eisenhower Administration does not intend to ask for an expanded military appropriation beyond what has already been requested. The most likely change which could induce the Administration to ask for an expanded military establishment would be direct intervention. This would not rule out, however, some new Soviet aggression of such proportions as to make obsolete present planning, it is believed.

GAO Avoids Reserve Audit

That indefatigable foe of the Federal Reserve System, Rep. Wright Patman, persuaded the House Government Operations Committee to give a hearing to his pet project, an annual audit of the Federal Reserve banks, the Open Market Committee, and the Federal Reserve Board, to be made by the General Accounting Office.

Mr. Patman, a Texas Democrat, got the GO committee to take up this project when the Banking committee, which has jurisdiction over Federal Reserve matters, declined the opportunity. This was made possible by one of those political situations peculiar to this city.

Rep. Clare Hoffman (R., Mich.), the Chairman of the committee, is sore because the committee took away from him the chairmanship of the subcommittee investigating labor racketeering. A prominent member of the same committee is the Democratic Whip and No. 2 party leader in the House, Rep. John McCormack of Massachusetts. The Democrats are always looking for ways to show up the "banker Administration" for raising interest rates and grinding down the poor.

Hence the hearing was arranged.

What messed up the situation, however, was that the General Accounting Office was most chary about wanting to take over an audit of the Federal Reserve. Such reluctance has not often occurred on the part of the GAO. However, the GAO knows that to audit the Federal Reserve it would put itself in the position of sharing responsibility for operating monetary policy.

Housing Bill Will Come Out in Conference

There is a pretty fair chance that the Eisenhower Administration will ultimately get some kind of a housing bill passed this year. Whether it will bear much relationship to the original White House proposals, however, remains to be seen.

The press reports that the Senate had "passed the President's housing program," however, were wide of the mark. The President's program was largely decapitated in the House. And while the Senate put in some things taken out by the House, it threw in a whole warehouse full of brilliant and not so brilliant ideas of its own, many industry feels will be unworkable.

Under Congressional rules a conference between two Houses is usually forbidden from "agreeing" upon something not touched upon by one House or the other. By throwing in all the ingredients of any possible kind of a cake, however, the Senate has made it legally possible, so to speak, for the conferees to decide whether the result should be a chocolate cake with lemon-flavored frosting, a lemon cake, or a cheesecake, or what, mix the ingredients in some kind of proposition, and then bake the cake.

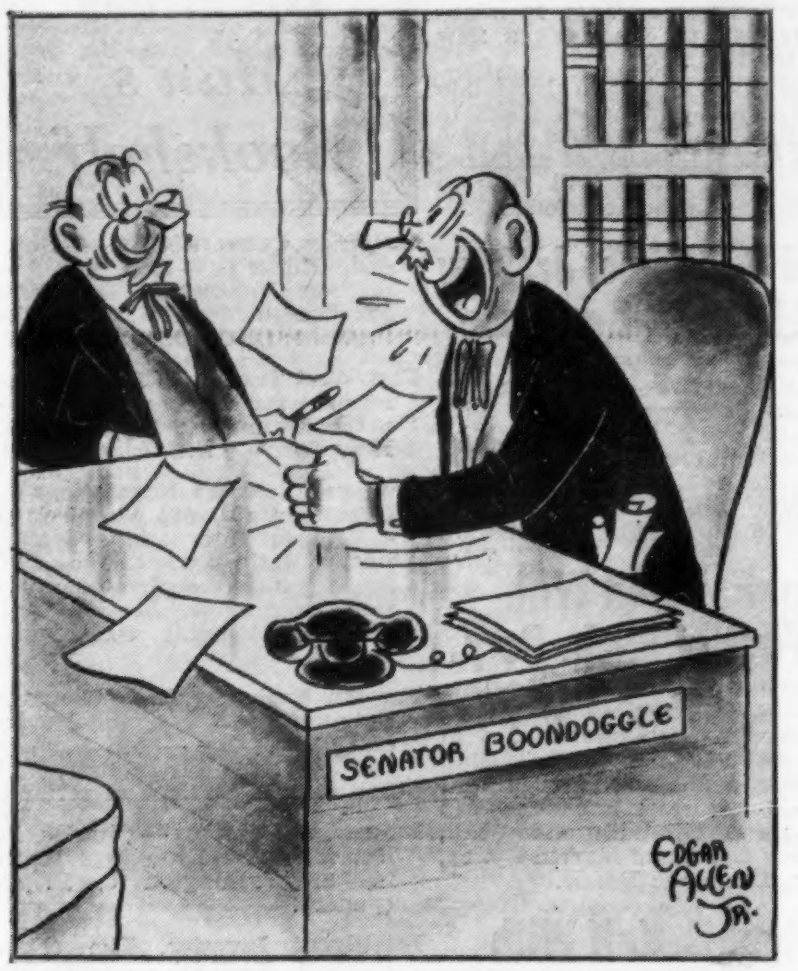
So in the effect the kind of housing legislation will be written in conference, which may not be for another week or 10 days.

Business on Plateau

Ask a prominent government official or economist for publication what he thinks the business outlook is, and almost invariably he will be warm to optimistically rosy. Speaking **not for publication**, the majority of professional observers think business is lacking so far the full seasonal pick up, shows no present signs of getting worse, and probably will rock along for a few months with no appreciable rise.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"I've got it, Senator!—we'll investigate the committee investigating the investigating committee!"